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No. 99-___

IN THE

Supreme Court of the United States

SEAGATE TECHNOLOGY, INC.,

Petitioner,

v.

RODIME PLC,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

JOHN F. DAUM
Counsel of Record
RODERICK G. DORMAN
CRYSTAL NIX
JONATHAN D. HACKER
O'MELVENY & MYERS LLP
400 South Hope Street
15th Floor
Los Angeles, CA 90071
(213) 430-6000

KARL A. LIMBACH
GERALD T. SEKIMURA
STEPHEN M. EVERETT
MARIA S. CEFALU
LIMBACH & LIMBACH, L.L.P.
2001 Ferry Building
San Francisco, CA 94111
(415) 433-4150

Attorneys for Petitioner

102.PP

QUESTIONS PRESENTED

1. Was the Federal Circuit correct in holding that it reviews "without deference" factual determinations of district courts, based on expert testimony, concerning how one skilled in the art would interpret the claims of a patent, and that the Federal Circuit may entirely disregard such determinations and the expert testimony on which they rest, in favor of its own non-expert understanding of the patent claims?

2. May state law impose tort liability on a party who, faced with a charge of infringement under a questionable patent, urges others not to take a license under that patent, given the strong federal patent policy favoring free competition in ideas that do not merit patent protection?

PARTIES

The parties in the court below are listed in the caption. Pursuant to Rule 29.6, petitioner Seagate Technology, Inc. states that it has no corporate parent. Its subsidiary corporations, not wholly owned, are as follows:

Dragon Systems, Inc.
Gadzoox Networks, Inc.
iCompression, Inc.
Nippon Seagate Software KK (Japan)
SanDisk Corporation
Seagate Software, Inc.
Seagate Software IMG AB (Sweden)
Seagate Software IMG (Canada), Inc.
Seagate Software Pte Ltd. (Singapore)
Seagate Software GmbH (Switzerland)
Seagate Software (Hong Kong) Ltd.
Seagate Software S.A. (France)
Seagate Software IMG BV (Netherlands)
Seagate Software IMG GmbH (Germany)
Seagate Software Pty. Ltd.) (Australia)
Seagate Software IMG (US), Inc.
Seagate Software IMG Ltd. (UK)
Seagate Software (Italy) S.r.I.
Seagate Software IMG Ltd. (Spain)
Seagate Software IMG Ltd. (So. Africa)
Seagate Technology (Hong Kong) Ltd.
Seagate Technology S.A. (France)
Seagate Technology (Taiwan) Ltd.
Seagate Technology (Thailand) Ltd.

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IN THE
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On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Seagate Technology, Inc. ("Seagate"), respectfully requests that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit in *Rodime PLC v. Seagate Technology, Inc.*, 174 F.3d 1294 (Fed. Cir. 1999).

OPINIONS BELOW

The opinion of the Federal Circuit is reported at 174 F.3d 1294, and is reprinted in the Appendix to this Petition ("App.") 1a. The principal opinion of the United States District Court for the Central District of California is reported at 44 U.S.P.Q. 2d 1627, and reprinted at App. 31a. Other opinions of that court are unreported and are reprinted at App. 27a and 41a.

JURISDICTION

The decision of the Federal Circuit in this case was entered April 13, 1999. A timely petition for rehearing and

suggestion of rehearing en banc was denied on June 3, 1999. On August 18, 1999, the Chief Justice extended until Oct. 1, 1999, petitioner's time to file a petition for certiorari. App. 60a. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

The provisions of 35 U.S.C. § 112, 35 U.S.C. § 271, and the California Unfair Competition Act, Cal. Bus. & Prof. Code § 17200 *et seq.* are found at App. 51a-59a.

STATEMENT OF THE CASE

This case presents two important legal questions, each with sweeping ramifications for federal patent policies and interests, and each wrongly decided by the United States Court of Appeals for the Federal Circuit. Involved here are:

> (1) the proper standard of review, in the Federal Circuit, of the district courts' *factual* determinations, on conflicting expert testimony, concerning the technical questions that underlie patent claim interpretation; and
>
> (2) the proper analysis and reach of patent law preemption of state laws that interfere with federal patent policy.

The decision below not only upholds exaggerated patent claims without technical justification, but allows petitioner to be punished under state law for having resisted those patent claims and others subsequently determined to be invalid. It will cast an Arctic chill on those who resist invalid assertions of patent rights, and will confer on patent owners a monopoly well beyond what Congress has provided.

Factual Background

The patent involved here is U.S. Patent No. 4,638,383 (the "'383 patent"), which was originally issued to Respondent Rodime PLC ("Rodime") in 1987. A2890-98.[1] The claims of the patent involve various aspects of the technology for 3.5-inch hard disk drives.

Disk drives are the pre-eminent means of storing large quantities of data in a computer system. "Hard" disk drives, of the sort at issue in this case, are key components of all personal and desk top computers, and most larger systems as well. A2991, 1:11-21. The data are stored in magnetically encoded form on the concentric "tracks" of a rigid disk which revolves at high speeds. A2992, 3:35-48. One or more transducers, or "heads," move back and forth over the disk between the concentric tracks so as to read the data stored there or write new data. *Id.*

Disk drives that function in this general way have been in commercial use since the 1950's. A807. Consistent with the evolution of computer technology in general, they have repeatedly shrunk in size and improved in speed and capacity. Each new generation of disk drives has involved a new standard size (called a "form factor" in the disk drive industry), each one smaller, cheaper, faster, and with higher capacity than its predecessor. A807, 811-18. Beginning with the 24-inch disk generally used in the 1950's, general size standards of 14-inch, 8-inch, 5.25-inch, 3.5-inch, and 2.5-inch form factors have been in use. *Id.*

Petitioner Seagate Technology, Inc. ("Seagate"), is the world's largest independent manufacturer of disk drives. A5503: 22-23. Rodime manufactured disk drives for a period of time in the 1980's, but ceased all manufacturing activity by 1991, put its operating subsidiaries into

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[1] The Appendix in the Federal Circuit is cited by page number as "Axxx." Exhibits in the District Court are cited as "TrEx ___."

bankruptcy, and concentrated its business on asserting its alleged patent rights over everyone else's 3.5-inch disk drives. A1566-69, 5503 ¶ 20.

Rodime's announcement that it had acquired a patent on all 3.5-inch disk drives, TrEx 1486, and the litigation that quickly followed,[2] caused outrage in the disk drive industry. TrEx 1963. Rodime's claims were contrary to the industry view that new form factors were unpatentably obvious and hence available to all in the interest of industry standardization.[3] Seagate and the other manufacturers generally believed (and believe) that Rodime's patent was invalid. TrEx 1538, 1963.

Faced with this storm of protest, Rodime went back to the Patent and Trademark Office ("PTO"), and asked for re-examination of its patent, requesting the PTO to consider additional prior art that Rodime had not previously presented. A562-66. During the reexamination, the original broad claims of the patent were rejected. A3034-42. Rodime amended its claims, and in 1988 a reexamination certificate for the patent was issued. A3000. Seagate and other manufacturers continued to believe that the patent was invalid, even as reexamined. A1957, TrEx 1538. This view eventually proved mostly correct, and in 1995 the Federal Circuit upheld a district court decision invalidating the bulk of Rodime's claims. *Quantum Corp. v. Rodime, PLC*, 65 F.3d 1577 (Fed. Cir. 1995).

Meanwhile, Rodime was attempting to pressure disk drive manufacturers into taking licenses under its patent. In

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[2] Rodime sued Miniscribe for infringement in October 1986, and sued Conner Peripherals in March 1987. IBM Corp. filed an action for a declaration that the patent was invalid in April 1987. TrEx 1667.

[3] For example, Seagate pioneered the 5.25-inch form factor, but encouraged others to use it for free. Prior form factors were also generally available. A828.

the fall of 1991, following settlement of its initial round of lawsuits, Rodime approached Seagate and others in an effort to negotiate license agreements. A1566, TrEx 36, 3062, 1938, 2468. Seagate and some of the others resisted, since they believed (with reason) that Rodime's claims were invalid. TrEx 21, 1538, A1957. Rodime alleges that Seagate communicated with other hard drive manufacturers, principally Quantum Corporation and Western Digital, "to urge them not to take a license under the '383 patent," A104 ¶ 18, and engaged in "a scheme to cast doubts upon the validity of the '383 patent and to discourage others from taking licenses under it." A122 ¶ 21. Seagate does not dispute that it believed Rodime's patent was invalid, told others so, and urged resistance to Rodime's claim of a right to monopolize and dominate the disk drive industry.

Having failed to induce Seagate to take a license under its '383 patent, Rodime filed a complaint for patent infringement in the United States District Court for the Central District of California in November 1992, basing jurisdiction on 28 U.S.C. § 1338. A99-133. Rodime asserted that virtually all 3.5-inch disk drives manufactured by Seagate were infringing. A118 ¶ 11.

Three counts of the complaint are at issue here.[4] Count I asserts patent infringement under 35 U.S.C. § 271. A125-27. Count II seeks damages under California's Unfair Competition Act predicated on the allegation that petitioner "actively and intentionally encouraged other manufacturers of infringing hard-disk drives not to take a license under the '383 patent," A127 ¶ 44, and that petitioner "spearheaded a highly improper effort designed to affect the PTO's procedure as it relates to examination of the '383 patent." A128 ¶ 46. Count III alleges the state-law tort of

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[4] Count IV, for trade libel, was dismissed by the district court in a ruling not appealed by Rodime. AA17.

"intentional interference with prospective economic advantage," A129-30, and rests on the allegation that petitioner, "through a series of meetings and other communications beginning in late 1991, actively and intentionally encouraged other manufacturers of micro hard-disk drives not to take a license under the '383 patent." A129 ¶ 51.

Rulings Below

Three federal judges presided over this case: the Hon. Richard Gadbois, then the Hon. Kim McLane Wardlaw, and finally the Hon. J. Spencer Letts.

Judge Gadbois handled an initial round of summary judgment motions. He ruled that Seagate's disk drives using voice-coil positioners — the majority of the disk drives in suit — did not infringe. A3767-71. He also held that Seagate's ST325/351 disk drives did not infringe. App. 47a. None of these rulings was appealed by Rodime, or was challenged in any way. The rulings had the effect of disposing of the overwhelming bulk of Rodime's infringement claims, leaving as the *only* product accused of infringement Seagate's discontinued ST157 family of disk drives.

Seagate's pre-litigation resistance to Rodime's patent claims thus proved justified. Not only did the result of the *Quantum* litigation invalidate most of the claims of Rodime's patent, but rulings in this very case (unappealed by Rodime) rejected most of Rodime's causes of action for patent infringement. Rodime's pre-litigation assertions that it patented the 3.5-inch form factor turned out to be totally wrong.

The District Court's Claim Construction Ruling

Following Judge Gadbois's death, and a brief period during which the case was assigned to Judge Wardlaw, Judge Letts took the matter over in July 1996. A84, docket

no. 919. The court held a hearing on February 25-26, 1997, on claim interpretation issues,[5] and heard extensive testimony from three technical experts. A3846-4118. Two were chosen by the parties and the third, Professor David B. Bogy, was an independent expert appointed by the court.[6]

The disputed issue was as follows.

Claims 3, 5 and 8 of the '383 patent (the only independent claims at issue not previously invalidated in the *Quantum* litigation) relate to a computer disk drive system including a "positioning means for moving" a read/write head (or "transducer") "between the concentrically adjacent tracks" on the disk so that it can read the data stored there and write new data. A3002-04. It is not disputed that to read or write data stored on a disk, the read/write head must be precisely positioned over the track where the data are. App. 2a; A2995, 9:1-19. If the head ends up even a tiny distance (as little as one 8000th of an inch) away, the device will not work. A3082. In operation, the motors and circuitry in the drive cause it to heat up. Thermal expansion causes the disk and other components to expand, and the location of the data tracks changes in relation to the head. Unless some means is employed of adjusting the position of the head to compensate for this thermal expansion, the head will not be in the correct position, and the disk drive will be unable to read data. App. 3a; A3915, 4017-19. Consistent with this, the

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[5] Such hearings are often called "*Markman*" hearings. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996).

[6] Professor Bogy is Chairman of the Department of Mechanical Engineering at the University of California (Berkeley), Director of the Computer Mechanics Laboratory, and holder of the William S. Floyd Endowed Chair in Engineering.

"specification"[7] of the '383 patent described a particular structure to achieve thermal compensation. A2994, 8:22-A2995, 9:19.

Nevertheless, the literal words of Claims 3, 5, and 8 of the '383 patent do not include express reference to a thermal compensation mechanism. A3002-04. These claims describe the invention as follows:

> [a] positioning means for moving said transducer means between the concentrically adjacent tracks on said micro hard-disk, said positioning means including:
>
> two support arms each supporting one of said read/write heads . . .
>
> a pivot shaft . . .
>
> a positioning arm [etc]. . .

Patent language must be construed in the fashion that it would be understood by one of ordinary skill in the art. The expert appointed by the Court testified that one skilled in the art would understand the phrase "a *positioning* means for moving" as including not only the function of moving the head randomly over the disk, but also moving it into *position* so that it could read and write data. A3898-900, 4135-36. One skilled in the art would therefore necessarily understand "a *positioning* means for moving" as including a thermal compensation mechanism, because without such a mechanism the head would of course move, but it would not move to the right *position*, and the device would not function

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[7] The specification is the written description of the invention contained in the patent. It must include an explanation of the "preferred embodiment" of the invention, and of how to make it. The invention itself is defined in the claims, and can be broader than the preferred embodiment.

to read or write data. A3131-33, 3904-08, 3915-16, 4135-36. As Professor Bogy testified:

> I personally don't read that much difference into the meaning of moving from track to track and positioning the transducer on a track or track seeking . . . and it has escaped me, quite frankly, this distinction between moving from track to track and positioning on the track, because to me they both mean the following:
>
> That the positioning means has built into it a mechanism, a way to change its dimensions such that . . . when the stepper motor tells it to move over three clicks, it will in fact move from one track to the third neighboring track *and end up in the right place* . . . . A3920-21 (emphasis added.).

Consistent with this (and much additional) expert testimony, both Judge Gadbois and Judge Letts found that, to a person skilled in the art, the phrase "positioning means for moving said transducer means between the concentrically adjacent tracks" meant *positioning* track-to-track movement (which required thermal compensation) as opposed to movement alone. Thus Judge Gadbois found that:

> According to the undisputed public record, in addition to the structural elements necessary for mere movement of the transducer, this track-to-track movement function necessarily includes thermal compensation structure which enables the proper positioning of the transducer at a particular track rather than between tracks. App. 44a.

Judge Letts made the same finding, for the same reason:

> In the disputed claims, the positioning means must not only function to move the head from

> track to track, it must be able to record data *onto a disk and retrieve that data at a later* time. Accordingly, the positioning means of a disk drive system must be able to accurately locate a track upon which information was recorded at an earlier time.
>
> The Court agrees with Professor Bogy that in order to accomplish this "moving" function thermal compensation is required. Without thermal compensation, the disk drive system would not be able to read data recorded previously at a different temperature. . . . "[M]oving" in the context of the disputed claims necessarily includes returning to tracks of previously recorded information . . . . App. 33a.

Given these findings, both judges agreed the law required that the claims be construed as including the thermal compensation mechanism described in the specification. Claims 3, 5 and 8 were described in "means plus function" terms, so that 35 U.S.C. § 112 ¶ 6 was potentially applicable. Under that section, if a means plus function claim is made "without the recital of structure, material, or acts in support thereof," then the claim "shall be construed to cover the corresponding structure . . . described in the specification." Since the language of the claims does not include any literal words that explain how the positioning function will be carried out, and since one skilled in the art would interpret "positioning means for moving between tracks" as involving *some* means for accomplishing positioning, § 112 ¶ 6 requires that the relevant structure be taken from the specification.[8] The district court thus found that the claimed

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[8] For discussion of the meaning and application of § 112 ¶ 6, *see In re Donaldson*, 16 F.3d 1189 (Fed. Cir. 1994); *Data Line Corp. v. Micro Technologies, Inc.*, 813 F.2d 1196, 1201-02 (Fed. Cir. 1987); *Pennwalt*

invention was limited by the thermal compensation structure described in the specification. App. 31a. Since Seagate's accused ST157 disk drives used a different method of thermal compensation, the district court found that the ST157 did not infringe the claims of Rodime's patent. App. 32a.

The District Court's Preemption Ruling

Following the district court's ruling on the ST157 infringement claims, Seagate moved for summary judgment on Rodime's state law claims. Seagate argued that the state law claims were preempted by the federal patent laws, which protect the right of a competitor to resist invalid patent claims. The district court granted this motion, concluding that none of Seagate's alleged conduct constituted an adequate basis for Rodime's state law claims. App. 27a.

In this connection the district court noted that previous rulings of the district court had found that 11 of the 13 accused disk drive families did not infringe, that many of the claims of the patent had been found invalid by the Federal Circuit in the *Quantum* litigation, and that those prior rulings were sufficient to dispose of *all* Rodime's infringement claims, with the sole exception of claims related to the ST157 drive family. App. 28a.

The Federal Circuit's Rulings

On appeal to the Court of Appeals for the Federal Circuit, the judgment was reversed in all relevant respects.

First. Relying on its prior decision in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc), the Federal Circuit announced that it reviewed the district court's claim construction decision

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Corp. v. Durand-Wayland, Inc., 833 F.2d 931, 933-34 (Fed. Cir. 1987); *Johnston v. IVAC Corp.*, 885 F.2d 1574, 1580 (Fed. Cir. 1989); *Laitram Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1535-36 (Fed. Cir. 1991).

"without deference," despite the fact that the district court had ruled after weighing conflicting expert testimony on technical issues. App. 11a. The Court construed the "positioning means for moving" language contained in the claims based solely on its own view of the proper meaning of this language, without mentioning or relying in any way on the expert testimony presented to the district court. App. 13a-16a.

Applying its own, non-expert view of the proper meaning of the language, the Federal Circuit held that the claim element "positioning means for moving" did *not* include any "positioning" function. App. 14a-15a. Rather, it included only the function of moving the read/write head over the disk — without regard to whether the head was moved to a place where it could actually read or write data. *Id.* The Federal Circuit then found: (1) that sufficient structure was provided in the literal words of the claim for a "moving" function (as opposed to a "positioning" function); (2) that 35 U.S.C. § 112 ¶ 6 therefore did not apply;[9] and (3) that it was therefore improper to read limitations from the specification into the claims as the statute would otherwise require for means-plus-function claims. App. 16a-20a. Accordingly it reversed the district court's claim construction decision, and its finding of non-infringement. App. 20a.

Second. The Court of Appeals ruled that Rodime's state-law claims were not preempted by the federal patent law. The Court explained its ruling on this basis:

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[9] It reached this conclusion despite its acknowledgment that Rodime had "conceded this threshold issue": Rodime did not dispute that § 112 ¶ 6 applied so as to require incorporation of structure from the specification into the claims. App. 11a. The Federal Circuit thus acted not only in disregard of the expert testimony in the record and the findings of the district court, but without briefing or argument by the parties on the key issue it decided.

> Rodime based its claims on Seagate's alleged efforts to dissuade other disk drive companies from taking a license from Rodime. The patent laws will not preempt such claims [1] if they include additional elements not found in the federal patent law cause of action and [2] if they are not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law.

App. 20a (citing *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998)). The Court of Appeals analogized Rodime's claim to a claim of inducement to infringe under 35 U.S.C. § 271. It then found that the first part of the preemption test was satisfied, because the common law torts of tortious interference and unfair competition require a showing that conduct was "wrongful" or "unethical," whereas the federal statutory inducement to infringe action has no such element. App. 21a.

Having satisfied itself of these distinctions, the Court of Appeals proceeded to the second part of its preemption analysis. It concluded that the state-law claims asserted by respondent "[m]oreover . . . do not constitute an impermissible attempt to offer patent-like protection to subject matter addressed by federal law." App. 21a. The court reasoned entirely as follows:

> Tortious interference protects business relationships. Unfair competition prevents unethical and oppressive business practices. Neither of these regimes purport to extend protection to the classes of invention protected by Title 35. *See* 35 U.S.C. § 101 (1994). Because these state law causes of action protect interests different from federal patent law, federal law does not preempt Rodime's state law claims. App. 21a-22a.

REASONS FOR GRANTING THE PETITION

Review of the decision below is urgently needed because it contravenes important principles and policies of federal law on matters as to which the Federal Circuit is effectively the court of last resort for the nation, unless this Court grants review.

First. Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996), settled that interpretation of patent claims is a question of law for a judge and not a jury. *Markman* did not reach, however, the important issue of the deference owed by the Federal Circuit to findings by the district courts, on conflicting evidence, where matters extrinsic to the patent claims are factually and legally relevant to the judicial task of interpreting patent language. This issue was the subject of a sharply divided *en banc* decision in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998), a decision that was the basis for the ruling here. The issue has been the subject of a vigorous debate among the judges of the Federal Circuit, the district courts, and the Patent Bar.[10]

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[10] *See Cybor*, 138 F.3d at 1463, 1473, 1478 (opinions of Judges Mayer, Newman, and Rader); *Lucas Aerospace, Ltd. v. Unison Indus., L.P.*, 890 F. Supp. 329, 333n.7 (D. Del. 1995) (criticizing "no deference" rule); *Elf Atochem North Am., Inc., v. Libbey-Owens-Ford Co., Inc.*, 894 F. Supp. 844, 857 (D. Del. 1995) (same); Dunner & Kwon, *Cybor Corp. v. FAS Technologies: The Final Say on Appellate Review of Claim Construction*, 80 J.P.T.O.S. 481 (1998); Rainey & Marschall, *Cybor Trouble: Who Really Interprets a Patent Claim?* 4 Intellectual Property Strategist No. 10 at 6 (1998); Hulse, *Cybor Corp. v. FAS Technologies, Inc.*, 14 Berkeley Tech. L.J. 87 (1999). The existence of such a conflict among Federal Circuit judges and in the patent bar is itself a persuasive reason for this Court to grant review. As the former Chief Judge of the Federal Circuit has observed, intra-circuit dissent plays the same role as to matters within the exclusive jurisdiction of the Federal Circuit as conflict between the circuits in other situations. Hon. Helen W. Nies, *Dissents at the Federal Circuit and Supreme Court Review*, 45 Am. U.L. Rev. 1519 (1996).

The Court should reject the Federal Circuit majority's view. The Federal Circuit simply is not in possession of all the information it needs to properly discharge its reviewing function using a pure *de novo* standard. Patents speak to, and are to be interpreted in light of, the knowledge possessed by one skilled in the art to which the patent is addressed. *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 233 (1942) ("[I]t is difficult for persons not skilled in the art to measure the inclusions or to appreciate the distinctions which may exist in the words of a claim when read in the context of the art itself."); *Intellicall, Inc. v. Phonometrics, Inc.*, 952 F.2d 1384, 1387 (Fed. Cir. 1992) ("terms in a claim are given their ordinary meaning to one of skill in the art"); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1571 (Fed. Cir. 1983). Only by the most absurd of fictions could the Federal Circuit be said to possess such skill in all the many arts to which patents are directed. And it has no means of taking evidence, or otherwise educating itself.

By contrast to an appellate court, the district courts are well-equipped to summon assistance from experts in the field, to subject the experts' views to cross-examination and interrogation, to balance the conflicting views presented, and to arrive at a resolution consistent with the "patent's internal coherence." *Markman*, 517 U.S. at 390. When district courts have done that, their views (and the views of the experts on whom they rely) should not be simply thrown away, and replaced by the uninformed *ipse dixit* of a panel of appellate judges.

This case presents a textbook example of the problem. Claim construction here necessarily depended on how one skilled in the art of building disk drives would interpret the patent documents. The district court appointed a technical expert on that topic, took testimony from him and from party experts, weighed the testimony and other evidence, and made its ruling. App. 31a-39a. The Federal Circuit overturned the district court's determination without the

slightest indication that it had considered in any way the views of the knowledgeable technical experts who testified in the trial court. And it did so *sua sponte*, without receiving briefing or argument from the parties, and ignoring the fact that the principal issue on which it ruled was one that Rodime had previously "conceded." App. 11a.

When proper decision-making requires technical knowledge and expert assistance, the rule now espoused by the Federal Circuit is a recipe for bad decision-making and poor patent policy. Unless the Federal Circuit's "no deference" standard is rejected, patent decisions will rest, not on sound technical judgment and professional expertise, but on what are no more than guesses by appellate judges concerning matters about which they are, for the most part, profoundly ignorant.

Only last term, in *Dickinson v. Zurko*, 119 S. Ct. 1816 (1999), this Court felt compelled to reject the Federal Circuit's insufficiently deferential standard of review of Patent and Trademark Office determinations. In that case the problem was disregard of the Administrative Procedure Act; here it is disregard of Rule 52(a), F.R.Civ.P. In both cases the problem is disrespect by the Federal Circuit for the knowledge and expertise of others with a role in the resolution of patent controversies. Having resolved the appropriate standard of review in the agency context in *Zurko*, this Court should now complete the job by addressing the standard of review for district court determinations on claim construction issues in those cases where disputed technical evidence extrinsic to the patent documents is relevant to claim construction.

Second. The ruling below also contradicts the "strong federal policy favoring free competition in ideas which do not merit patent protection." *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969). This Court has long recognized that many patents issued by the Patent and Trademark Office are

invalid, and that important public interests are served by the right of an accused infringer to challenge the validity of a patent. If "the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery . . . are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification." *Id.* at 670.

Here Seagate did no more than resist, and urge others to resist, the claims of a patent it believed to be invalid. Such conduct is not merely allowed, but *encouraged*, by this Court's decisions and by strong federal policy.

Seagate's conduct, moreover, was entirely justified since: (1) even the Federal Circuit has found that most of Rodime's claims were invalid; (2) Rodime was *unsuccessful* when it brought infringement claims against the very companies that Seagate urged not to take a license; and (3) the district court found, in rulings not appealed by Rodime, that most of the Seagate devices for which Rodime sought royalties did not infringe its patent. Yet the Federal Circuit allowed respondent to assert a claim that this conduct was tortious under state law.[11]

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[11] The Federal Circuit's decision is particularly troubling because, within a month after issuing its opinion in this case, the *en banc* Federal Circuit announced an end to its longstanding practice of applying regional circuit law to patent preemption decisions, on the ground that "as the sole appellate exponent of patent law principles [the Federal Circuit] should play a leading role in fashioning the rules specifying what patent law does and does not foreclose by way of other legal remedies." *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1361 (Fed. Cir. 1999). It is the Federal Circuit's own determination, then, that decisions such as this one will guide both litigants and courts nationwide.

ARGUMENT

I. THIS COURT SHOULD GRANT CERTIORARI TO SETTLE THE STANDARD OF REVIEW FOR FACTUAL DETERMINATIONS BY DISTRICT COURTS, ON CONFLICTING EVIDENCE, OF TECHNICAL ISSUES RELATING TO PATENT CLAIM INTERPRETATION.

By design, patents do not include all the information that is relevant to the described invention, since patents speak to those skilled in the art to which the patent is directed. Facts known to such skilled persons that are not set forth in the intrinsic patent documents are presumed to be known by persons reading and interpreting the subject patent. Under 35 U.S.C. § 112, patent specifications must be written to enable one skilled in the art to understand the claimed invention enough to practice the invention without undue experimentation.[12] The predecessor court to the Federal Circuit, the Court of Customs and Patent Appeals, expressly recognized that claims are written to be understood not by laymen but by persons of ordinary skill in the relevant art.[13]

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[12] 35 U.S.C. § 112; *Wood v. Underhill*, 46 U.S. 1, 4 (1847) (specification had to be in such full, clear, and exact terms as to enable any one skilled in art to which it appertained to compound and use it without making any experiments of his own); *Loom Co. v. Higgins*, 105 U.S. 580 (1881) (specification in letters patent is sufficiently clear and descriptive when expressed in terms intelligible to person skilled in art to which it relates); *Seabury v. Am Ende*, 152 U.S. 561, 566 (1894); *In re Johnson*, 282 F.2d 370, 372 (C.C.P.A. 1960) (reference in first paragraph of 35 U.S.C. § 112 to "any person skilled in the art" requires that court read and interpret specific disclosures of utility against background of knowledge possessed by such person); *In re Nelson*, 280 F.2d 172 , 181 (C.C.P.A. 1960) ("[D]escriptions in patents are not addressed to public generally, to lawyers or to judges, but as § 112 says, to those skilled in art to which the invention pertains or with which it is most nearly connected.").

[13] *In re Myers*, 410 F.2d 420, 425 (C.C.P.A. 1969) ("[T]he claims of a patent are to be construed in the light of the specification and the

The rule that a patent must be analyzed in the context of the relevant art reflects the reality of patents in our technologically complex society. It would be impracticable to require applicants to teach every piece of knowledge necessary to make a patent comprehensible to a lay person. Patent jurisprudence therefore deliberately avoids forcing patent applicants to lay out in the patent documents all the facts known by a person of a ordinary skill in the art, but of which a lay person would be ignorant. The law understands that, because a patent is directed toward a particular audience, the patent record need only reflect what individuals within that audience would not know.[14]

For a court to achieve the perspective of one of ordinary skill in the art, findings of fact and other determinations frequently must be made by a district court about issues known to those to whom a patent is directed that are not disclosed in the intrinsic patent documents. As the Federal Circuit itself recognized in *Markman*, "[a] judge is not usually a person conversant in the particular technical art involved and is not the hypothetical person skilled in the art to whom a patent is addressed. Extrinsic evidence, therefore, may be necessary to inform the court about the language in which the patent is written." 52 F.3d at 986.

In this case, the trial court did just what the *Markman* court contemplated. It appointed an expert, supplemented by

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understanding thereof by those skilled in that art to whom they are addressed."); *In re Salem*, 553 F.2d 676, 683 (C.C.P.A. 1977) (court "must give due consideration to the interpretation that one of ordinary skill in the art would give the terminology in question").

[14] *Avery v. Hilder*, 99 F.2d 979 (C.C.P.A. 1938) (applicant did not "need to describe and set out that which was common and well known even though it be part of machine which he has improved"); *General Elec. Co. v. Brenner*, 407 F.2d 1258 (D.C. Cir. 1968) ("Terms need only be reasonable with respect to art involved; they need not inform layman or disclose what the skilled already possess"); *In re Dryer*, 162 F.2d 505, 508 (C.C.P.A. 1947); *In re Casey*, 165 F.2d 1019, 1023 (C.C.P.A. 1948).

the parties' experts, to inform itself as to matters of which it was ignorant. A3846-4118. It listened to the extrinsic evidence for two days, weighed it with the other evidence, and came to a decision. App. 31a. The district court found that one skilled in the art would *not* have interpreted the phrase "positioning means for moving" in the manner proposed by Rodime. On the contrary,

> [Rodime's] narrow definition of moving is not a complete definition of the "moving" that is required of a computer disk drive system. In defining the function of a means plus function claim, the Court must define the function in terms that are relevant to the invention described in the specification. In the disputed claims, the positioning means must not only function to move the head from track to track, it must be able to record data onto a disk and retrieve that data at a later time. App. 33a.

Essentially the same decision had previously been rendered by Judge Gadbois, on review of the report of a special master he had appointed. App. 44a. But then the Federal Circuit — which heard none of this evidence, had no expertise in the matter, and no greater ability to arrive at the right result than two federal district judges, a special master, and three qualified experts — threw out everything done by the trial court and its expert assistants. There is not a word in the Federal Circuit's opinion that suggests it read, considered, or paid the slightest attention to any of the technical evidence in the record.

This was wrong. As this Court observed in *Markman*: "The decisionmaker vested with the task of construing the patent is in the better position to ascertain whether an expert's proposed definition fully comports with the specification and claims and so will preserve the patent's

internal coherence." 517 U.S. at 390. Indeed, a principal purpose of entrusting the task of claim construction to the trial judge, rather than the jury, is to exploit the trial judge's "trained ability to evaluate the testimony in relation to the overall structure of the patent." *Id.* The Federal Circuit's "no deference" standard defeats that purpose.

The Federal Circuit's only justification for proceeding as it did was its own *en banc* decision in *Cybor*, where a divided court adopted the "no deference" rule, rejecting a substantial body of Federal Circuit precedent to the contrary.[15] The persuasive opinions of Chief Judge Mayer and Judges Newman and Rader show why the "no deference" standard is wrong. 138 F.3d at 1463, 1473, 1478. As Chief Judge Mayer noted, the majority's decision transmogrifies the Federal Circuit from an appellate court of review into a court that must "feign first-hand experience with the technology" and "embellish [its] abilities by construing a claim without the respect due both a trial court's decision that a factual dispute underlies the meaning of a claim term and its resolution of that dispute." 138 F.3d at 1465. Effectively, the Federal Circuit has become "a trial court of first and usually last resort." *Id.* at 1466.[16] Worse,

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[15] *Fromson v. Anitec Printing Plates, Inc.*, 132 F.3d 1437, 1446 (Fed. Cir. 1997); *Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1555-56 (Fed. Cir. 1997); *Serrano v. Telular Corp.*, 111 F.3d 1578, 1586 (Fed. Cir. 1997) (Mayer, J., concurring); *Wiener v. NEC Elecs. Inc.*, 102 F.3d 534, 539 (Fed. Cir. 1996); *Metaullics Sys. Co. v. Cooper*, 100 F.3d 938, 939 (Fed. Cir. 1996).

[16] The result in this case demonstrates why it is a mistake to disregard technical expertise. The Federal Circuit construed the claimed invention as a means for moving a read/write head over a disk, but *not* as a means of positioning the head so it can read data. Yet a device that can move the head over the disk, but cannot position the head to read data, is utterly useless. It could not function as a disk drive or anything else. By ignoring the technical expertise in the record, the Federal Circuit managed to create a patent for an "invention" that is without function and

as Judge Rader noted, a rule of non-deference to factual determinations based on expert testimony destroys the principle that claims must be construed based on their meaning to one skilled in the art: "In effect, the *en banc* opinion has *sub silentio* redefined the claim construction inquiry as 'how a lawyer or judge would interpret the term.'" 138 F.3d at 1475.[17]

The Federal Circuit's "no deference" rule will produce more than just bad decisions. As Judge Rader pointed out, it will also increase litigation, discourage settlement, and promote uncertainty. 138 F.3d at 1476. Claim construction is an issue in almost every patent case; if it is resolved early, cases can be settled. But if all the work done in the trial court counts for nothing, and if the evidence presented by the parties, often addressed to difficult technical matters, can be swept away by the whim of an appellate panel that reads the documents differently, no case can be resolved until it reaches the Federal Circuit, and no lawyer can safely advise any client to settle in the trial court or forgo an appeal. Cases come to an end in trial courts in large part because lawyers and litigants think that the standard of review is strict enough so that an appeal is not worth the cost. Under the "no deference" standard, by contrast, "[t]he meaning of a claim is not certain (and the parties are not prepared to settle) until nearly the last step in the process – decision by the Court of Appeals for the Federal Circuit." *Id.*

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without use. And yet patents are supposed to be issued only for the purpose of promoting "useful Arts." U.S. Const. art. I, § 8, cl. 8.

[17] The dissenters noted that the problem was exacerbated by the Federal Circuit's tendency to issue what Judge Newman diplomatically called "unexpectedly creative de novo claim interpretations" rejecting the views of the parties, the trial judge, and all experts who testified at the trial. 138 F.3d at 1479 (Newman, J.); 138 F.3d at 1476 (Rader, J.); *see Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 64 F.3d 1553, 1556 (Fed. Cir. 1995); *J.T. Eaton & Co. v. Atlantic Paste & Glue Co.*, 106 F.3d 1563 (Fed. Cir. 1997).

Finally, nothing in the law requires the practice which the Federal Circuit has adopted. The majority in *Cybor* seemed to think that *de novo* review of factual determinations necessarily followed from the fact that claim construction is an issue of law. But that is simply not so. *Markman* itself recognized that the legal issue of claim construction could rest on "evidentiary underpinnings," 517 U.S. at 390, just as in many other areas resolution of issues of law depends on predicate or preliminary factual determinations. Those underlying factual determinations are made routinely by district judges (not by juries, since the ultimate issue is one of law), and the district courts' findings are given varying degrees of deference appropriate to the particular issue. For example:

- Interpretation of a written instrument is a question of law, *APC Operating Partnership v. Mackey*, 841 F.2d 1031, 1033 (1988); *Energy Oils, Inc. v. Montana Power Co.*, 626 F.2d 731, 734 (9th Cir. 1980), but when interpretation of the instrument depends on extrinsic facts and circumstances, a reviewing court must defer under Rule 52(a) to the findings of the trial court. *United Truck & Bus Service Co. v. Piggott*, 543 F.2d 949, 950 (1st Cir. 1976).

- The constitutionality of a statute is a question of law, as is the legal sufficiency of the legislative purpose. Nevertheless, this Court gives "great deference" to the findings of state courts as to what that purpose was. *Michael M. v. Superior Court*, 450 U.S. 464, 470 (1981).

- Whether a redistricting plan denies equal protection is a question of law, but a district court's underlying findings about the legislature's motivation must be given deference and upheld if not clearly erroneous. *Lawyer v. Department of Justice*, 521 U.S. 567, 580-81 (1997). *See Columbus Bd. of Educ. v. Penick*, 443

U.S. 449, 454-55 (1979) (similar rule in school desegregation cases).

- Whether to admit expert testimony is a question of law, but the district court's determinations of underlying factual issues, such as whether the expert is applying a recognized scientific discipline, are reviewed only for abuse of discretion. *General Electric Co. v. Joiner*, 522 U.S. 136 (1997).

Claim construction is an issue of law, and it should be an issue of law. *Markman* was rightly decided. But it does not follow that when factual issues are relevant to claim construction, those factual issues should be decided *de novo* by appellate courts, with no deference to the findings and evidence below. That will yield only bad patent decisions, more and longer litigation, and a decline in the utility and efficiency of the patent system. The issues here are important in every patent case, and the Federal Circuit has gone seriously wrong. This Court's review is warranted.

II. THIS COURT SHOULD GRANT REVIEW BECAUSE THE DECISION BELOW CONFLICTS WITH THIS COURT'S PRECEDENTS, AND DEFEATS THE FEDERAL PATENT POLICY OF FREE COMPETITION IN IDEAS EXCEPT WHEN FEDERAL PATENT STANDARDS ARE MET.

Federal patent law encourages resistance to "would-be monopolists" who assert patent claims that do not meet the standards Congress has set for patentability. *Lear, Inc. v. Adkins*, 395 U.S. 653, 670-71 (1969); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231-32 (1964); *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 658 (1983) (Stevens, J., concurring).[18] To be sure, there will be liability if a patent is

[18] As this Court has said, "[i]t is as important to the public that competition should not be repressed by worthless patents, as that the

in fact valid and infringed. But in defining the scope of liability for infringement and inducement to infringe under 35 U.S.C. § 271, Congress has defined the risk which an alleged infringer will bear for challenging patent claims believed to be invalid. And there can be *no* liability for infringement, or inducing infringement, of invalid patent claims.

The central flaw of the decision below is that it permits a patent holder to enforce invalid patent claims through the mechanism of a state-law cause of action for tortious interference or unfair competition. Rodime's basic state-law claim is that Seagate urged others to resist Rodime's threatened patent litigation and not to take licenses under Rodime's '383 patent. For its tortious interference claim, Rodime seeks compensatory damages measured by the royalties it would have received from third parties, A132 ¶ 5; for its unfair competition claim, Rodime seeks punitive damages equal to Seagate's world-wide profit from making and selling any 3.5-inch disk drive. None of Rodime's state law claims depends in any way on Rodime's proving that its patent was valid or infringed.

If the Federal Circuit is correct that state law claims are permissible in such circumstances, Seagate will be liable to Rodime under state law even though most of the patent claims sought to be licensed have been held invalid.[19] In effect, the state law causes of action will allow Rodime to collect royalties and infringement damages on the basis of an invalid patent, and to achieve a recovery from Seagate based on patent claims which Rodime *lost* against two prospective licensees. An invalid patent will form a basis for recovering

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patentee of a really valuable invention should be protected." *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892).

[19] *Quantum Corp. v. Rodime, PLC*, 65 F.3d 1577 (Fed. Cir. 1995).

damages, and the careful balance struck by Congress between monopoly and competition will be undone.[20]

But upsetting the balance struck by Congress under the patent laws between monopoly and free competition is precisely what state law may *not* do. That is the teaching of this Court's patent preemption holdings dating back more than three decades, and culminating most recently in the unanimous decision in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989).

Bonito Boats invalidated a Florida statute prohibiting the use of a "direct molding" process to duplicate boat hulls for which no patent had been issued. *See* 489 U.S. at 144. Because the statute provided the equivalent of patent protection to a design that was unpatentable, the Court held that it had upset the balance struck by Congress between monopoly and free competition, and thus was preempted as in "conflict" with the federal patent scheme. *Id.* at 159. In reaching this conclusion, the Court reviewed its patent preemption decisions, and set forth the fundamental principles of patent preemption.

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[20] The balance is upset even if state law damages relate only to patent claims that are ultimately upheld. For Rodime seeks to recover not simply the damages that Congress has provided for infringement, but large, unspecified, and even punitive damages that Congress has not thought fit to allow. Those state law damages are the result of carrying out activities (a challenge to a patent believed invalid) which federal patent law encourages. Imposition of large liabilities under state law for resisting a patentee's claims changes the economic calculus established by the damages provisions enacted by Congress, makes it riskier to resist a patentee's claims, less likely that invalid patents will be challenged and resisted, and more likely that the public will pay tribute to would-be monopolizers. All of that changes the balance that Congress has struck between the legitimate interests of the patent holder and the legitimate interest of the public in free competition for all ideas that are not properly patentable.

First. The federal patent scheme represents "a careful balance," *Bonito Boats*, 489 U.S. at 146, between "the desire to freely exploit the full potential of our inventive resources," on the one hand, and "the need to create an incentive to deploy the resources," on the other. *Id.* at 152.[21] At the fulcrum of this balance are the requirements of novelty and nonobviousness, 35 U.S.C. §§ 102 & 103, which exist principally to ensure that patent monopolies do not suppress information that is already, or readily, subject to free use and exploitation in the competitive marketplace: "Taken together, the novelty and nonobviousness requirements express a congressional determination that the purposes behind the Patent Clause are best served by free competition and exploitation of either that which is already available to the public or that which may be readily discerned from publicly available material." *Bonito Boats*, 489 U.S. at 150. And the balance leans heavily toward free exploitation of ideas: "[The] congressional understanding, implicit in the Patent Clause itself, [is] that free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception." *Id.* at 151.[22]

Second. This balance is so fundamental to the federal patent scheme that "state regulation of intellectual property must yield to the extent that it clashes with [that] balance."

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[21] *See also Pfaff v. Wells Electronics, Inc.*, 119 S. Ct. 304, 310 (1998) (describing balance between "the interest in motivating innovation and enlightenment by rewarding invention with patent protection on the one hand, and the interest in avoiding monopolies [on information] that unnecessarily stifle competition on the other").

[22] *See also id.* at 148 (novelty requirement "express[es] a congressional determination that the creation of a monopoly in [publicly available] information would not only serve no socially useful purpose, but would in fact injure the public by removing existing knowledge from public use"); *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) ("[T]he stringent requirements for patent protection seek to ensure that ideas in the public domain remain there for the use of the public.").

Id. at 152. As the *Bonito Boats* Court stated, "the federal standards for patentability, at a minimum, express the congressional determination that patent-like protection is unwarranted as to certain classes of intellectual property. The States are simply not free in this regard to offer equivalent protection to ideas which Congress has determined should belong to all." *Id.* at 164-65. Even where state laws regarding unfair competition, *Sears, Roebuck & Co. v. Stiffel*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting Co.*, 376 U.S. 234 (1964), or trade secrets, *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), may be employed so as to protect certain unpatented ideas from use by others, they may do so *only* where "the state restrictions on the use of unpatented ideas [are] limited to those [restrictions] necessary to promote goals outside the contemplation of the federal patent scheme," *Bonito Boats*, 489 U.S. at 166 (discussing *Sears*, *Compco*, and *Kewanee*). "By offering patent-like protection for ideas deemed unprotected under the present federal scheme," the Court concluded, "the Florida statute conflicts with the 'strong federal policy favoring free competition in ideas which do not merit patent protection.'" *Id.* at 168 (quoting *Lear*, 395 U.S. at 659).

The Federal Circuit's ruling in this case plainly disregards the rules for federal patent preemption set forth in *Bonito Boats*. Indeed, in support of its resuscitation of the state-law claims, the court of appeals cited neither *Bonito Boats*, nor any other decision of this Court. The court instead rested its conclusion on two arguments, neither of which can support its result.

First, the Federal Circuit observed that California's unfair competition and tortious interference laws "require proof of additional elements not found in the patent law cause of action" for inducement to infringe. App. 21a. As the court correctly pointed out, "[t]ortious interference . . . requires proof that the defendant intentionally engaged in

acts wrongful by some measure other than the fact of the interference itself *which are designed to disrupt an economic relationship between the plaintiff and another*," whereas 35 U.S.C. § 271(b) does not require proof of acts that are "wrongful" by any measure other than the fact of the inducement itself. App. 21a (emphasis added). Unfair competition, for its part, requires proof of a business practice that is "immoral, unethical, unscrupulous, or substantially injurious," *id.*, whereas no such requirement exists in § 271(b).

In *Bonito Boats* itself, this Court expressly rejected almost exactly the same kind of preemption analysis applied by the Federal Circuit. In upholding against preemption challenge a California law analogous to the anti-direct molding duplication law at issue in *Bonito Boats*, the Federal Circuit had reasoned that the state law was not preempted in part because it "'prevents *unscrupulous* competitors'" from duplicating certain products. *Bonito Boats*, 489 U.S. at 163 (quoting *Interpart Corp. v. Italia*, 777 F.2d 678, 685 (Fed. Cir. 1985) (emphasis added)). The Court gave that argument short shrift: "Appending the conclusionary label 'unscrupulous' to such competitive behavior [i.e., duplication] merely endorses a policy judgment which the patent laws do not leave the States free to make. Where an item in general circulation is unprotected by a patent, reproduction of a functional attribute is legitimate competitive activity." *Id.* at 164 (internal quotation marks and citations omitted).

In this case, the labels "wrongful," "unethical," and "oppressive," in the state-law causes of action are equally conclusionary, and the Federal Circuit's reliance on them to deny the preemptive force of the federal patent laws is equally erroneous. The question is not whether urging other manufacturers to resist Rodime's patent claims might or might not be considered wrongful in some other context. It is whether such conduct can be considered wrongful in the

specific context of resisting the royalty demands of the owner of a patent believed invalid. And on that issue Congress and this Court have spoken. Such conduct is encouraged by the patent laws. It is immune from liability if it turns out that the patent is invalid; and if the patent is valid, the measure of liability is set forth in the federal action for infringement or inducement to infringe under 35 U.S.C. § 271. That is the balance that Congress has struck, and because the state law here upsets that balance, it is preempted. It is immaterial here, just as it was in *Bonito*, whether conduct permitted and encouraged by the patent laws might be termed unethical or unscrupulous in some different context.

Equally wide of the mark was the Federal Circuit's second reason for finding that the state-law causes of action were not pre-empted: its belief that they did not extend "patent-like" protection to subject matter addressed by federal law. To be sure, if a state purports to extend "patent–like protection" to unpatentable subject matter, it upsets the balance struck by Congress: that is the holding of *Bonito Boats*. But preemption is not limited to situations where "patent-like protection" is extended. The test is whether the balance struck by Congress has been upset. Here, the relevant balance is the one Congress has struck between the rights of the patent holder to enforce a *valid* patent, and the rights of affected businesses to challenge *invalid* ones. Allowing state law to impose additional burdens on someone who resists the assertion of invalid patent claims upsets that balance, and is preempted under the *Bonito Boats* test.

CONCLUSION

The Federal Circuit's decision contravenes important federal principles and policies, and conflicts with decisions of this Court. A writ of certiorari should issue to review the decision below.

Respectfully submitted,

KARL A. LIMBACH
GERALD T. SEKIMURA
STEPHEN M. EVERETT
MARIA S. CEFALU
LIMBACH & LIMBACH, L.L.P.
2001 Ferry Building
San Francisco, CA 94111
(415) 433-4150

JOHN F. DAUM
Counsel of Record
RODERICK G. DORMAN
CRYSTAL NIX
JONATHAN D. HACKER
O'MELVENY & MYERS LLP
400 South Hope Street
15th Floor
Los Angeles, CA 90071
(213) 430-6000

Attorneys for Petitioner

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APPENDIX

APPENDIX A

United States Court of Appeals Federal Circuit

Nos. 98-1076, 98-1112, 98-1204

RODIME PLC,

Plaintiff-Appellant,

v.

SEAGATE TECHNOLOGY, INC.,

Defendant-Cross Appellant.

Dated: April 13, 1999.

Before LOURIE, Circuit Judge, FRIEDMAN, Senior Circuit Judge, and RADER, Circuit Judge.

RADER, Circuit Judge.

In this patent infringement and tort action, Rodime PLC (Rodime) asserted that Seagate Technology, Inc. (Seagate) infringes U.S. Patent No. 4,638,383 (the '383 patent). Rodime further accused Seagate of tortious interference with prospective economic advantage and unfair competition. The United States District Court for the Central District of California granted Seagate's motions for summary judgment of noninfringement and for no liability under Rodime's state law causes of action. Because the district court misconstrued the asserted claims, this court vacates the judgment of noninfringement. This court also vacates the judgment of no liability under Rodime's state law claims and remands for further proceedings due to disputed issues of fact relating to the wrongfulness of Seagate's conduct. Finally, this court

affirms the district court's grant of Seagate's motion to exclude evidence of Rodime's consequential business damages as irrelevant to the calculation of a reasonable royalty.

I.

The '383 Patent and Accused Device

The '383 patent, entitled "Micro Hard-Disk Drive System," involves computer hard-disk drives. Generally, the patent is directed to the miniaturization of hard drive technology from 5¼ inches to 3½ inches, a size particularly suited for use in portable computers, and problems incident thereto. For example, the patent addresses power consumption, vibration mounting, heat dissipation, storage capacity, and compatibility of the electrical interface with existing technology. *See* col. 2, l. 34 to col. 3, l. 3.

Disk drives store electromagnetic data on the concentric tracks of disks. While the disks spin at high speed, small electromagnets called "transducers" or "read/write heads" move near the disk surface retrieving and recording electromagnetic information on the concentric tracks. A positioning mechanism supports the heads and moves them to the correct location for data storage or retrieval. To ensure accurate recording and retrieval, the positioning mechanism must place the head precisely and consistently at the correct storage position on a disk track.

The demand for correct positioning introduces another of the numerous problems addressed by the invention of the '383 patent. Variations in temperature can significantly affect the positioning mechanism of the disk drive. Typically, disk drives incorporate stainless steel components where strength is critical and aluminum components elsewhere to minimize overall weight. Temperature variations cause these

components, constructed of different materials, to expand or contract at different rates as the disk drive heats or cools.

The different expansion rates change the locations of these parts relative to one another. For example, when the temperature of a disk drive rises during warm-up, the disk itself will expand radially outward from the hub, which causes the tracks on the disk to move in a radially outward direction. The other components of the disk drive also expand, resulting in a cumulative offset of the head from the track. Thus, this temperature-induced offset prevents the read/write head from reaching the correct position on the disk track. Without some compensation for temperature variations, the head will not find the correct track position to retrieve information.

To solve this problem, the '383 patent teaches a thermal compensation scheme. Thermal compensation accounts for different expansion and contraction rates of a disk drive's components. In the embodiment disclosed in the patent, the thermal compensation system is built into the "positioning mechanism"—the mechanism responsible for moving the heads between tracks. Specifically, the patent prescribes constructing the positioning mechanism from appropriate materials "to automatically compensate for any mispositioning between the transducer and a track caused by thermal effects." In addition to using stainless steel and aluminum, some of the components of the positioning mechanism use a third class of materials, such as an aluminum/bronze alloy, for its thermal expansion characteristics. The components of the positioning mechanism expand by controlled amounts, causing a corrective movement of the transducer to position it at the right location within a track.

Each of the asserted independent claims (3, 5, and 8) recites a "positioning means," the interpretation of which is central to this case. In claim 3, this element reads:

positioning means for moving said transducer means between the concentrically adjacent tracks on said micro hard-disk, said positioning means including:

two support arms each supporting one of said read/write heads with each read/write head being mounted at one end of its respective support arm;

a pivot shaft having an axis located on one side of said support arms and spaced away from said support arms;

a positioning arm to which the other ends of said support arms are attached, said positioning arm having one end thereof coupled to said pivot shaft;

a bearing assembly supporting said pivot shaft for rotational movement thereby enabling said positioning arm to be pivoted about the axis of said pivot shaft;

a stepper motor having an output drive shaft;

means for operating said stepper motor in step increments; and

a tensioned steel band coupling said drive shaft of said stepper motor to the other end of said positioning arm, said band being arranged in a pulley arrangement whereby rotational movement of said stepper motor causes pivoting of said positioning arm about said pivot shaft for moving said support arms and the read/write heads in incremental steps with each increment causing said read/write heads to move from one track to the next adjacent track on said micro hard-disk.

Claims 5 and 8 recite an almost identical "positioning means" to each other, but somewhat different from that of claim 3:

> positioning means for moving said first and second transducer means between the concentrically adjacent tracks on said micro hard-disks, said positioning means including a positioning arm disposed within the sealed housing, a pivot shaft coupled to one end of said positioning arm and supporting said positioning arm for rotational movement relative to said micro hard-disks, four support arms, each supporting one of said heads at one end and each connected to said positioning arm at its other end, a stepper motor having a shaft extending into said sealed housing and means for operating said stepper motor in step increments, each increment causing said read/write heads to move from one track to the next adjacent track on said micro hard-disks. . . .

Rodime accuses Seagate's ST157 hard drive of infringing the '383 patent. The parties do not dispute that Seagate's drive incorporates some of the thermal compensation mechanisms disclosed in the '383 patent. Specifically, Seagate's drives use materials with favorable thermal compensation properties in their positioning mechanisms. Seagate's ST157 also relies, however, on a "thermal pin" which works in conjunction with the selection of materials to provide thermal compensation. This pin within Seagate's positioning mechanism has a precise amount of stiffness. When temperature rises and the disk components begin to expand, this expansion stresses the thermal pin causing it to bend. The bending of the pin causes a corrective movement of the head to maintain it at the proper position in the track.

Rodime's State Law Claims

The '383 patent arose out of Rodime's efforts in the early 1980's to develop a smaller hard drive than the 5¼ inch drives then in use. Rodime succeeded in developing a 3½ inch drive, the RO350, which formed the basis for the specification common to the '383 patent and its parent. By the time the '383 patent issued in 1987, other manufacturers had begun producing 3½ inch drives. Rodime initially met resistance in its efforts to license these manufacturers. Several lawsuits quickly arose in which the manufacturers challenged the validity of the '383 patent. In response, Rodime filed for reexamination so that the United States Patent and Trademark Office (PTO) could determine if the claimed subject matter was patentable over newly discovered prior art. Rodime became aware of this new prior art during its licensing negotiations and lawsuits. After amending its claims, Rodime secured a Reexamination Certificate on November 29, 1988.

Rodime then renewed its licensing efforts, this time meeting with some success. Having already granted several licenses, Rodime began negotiations with Quantum Corporation and Western Digital Corporation. Seagate, upon learning of these negotiations, contacted both companies to dissuade them from taking licenses from Rodime. In the fall of 1991, Quantum, Western Digital, and Seagate met to discuss the '383 patent and Rodime's licensing offers. Seagate told both companies that if they were sued by Rodime, Seagate would support them by filing a declaratory judgment action. Shortly thereafter, Quantum and Western Digital ended license discussions with Rodime. A similar sequence of events took place the following year with Xebec Ltd., another potential licensee of the '383 patent. Xebec initially

expressed an interest in taking a license from Rodime but, after discussions with Seagate, declined to take a license.

Following its discussions with Quantum and Western Digital, Seagate also arranged meetings among hard drive manufacturers to discuss the issue of "form factor patents"--patents whose sole point of novelty is the miniaturization of a known technology (*e.g.*, a patent covering all 3½ inch hard drives). Although Seagate called the meetings ostensibly to discuss an industry-wide concern, Seagate did not invite Rodime to attend. In Rodime's absence, Seagate asserted its belief that Rodime's patents were invalid.

The participants in the form factor meetings also discussed petitioning the government to change its policies regarding form factor patents. Two months before the first form factor meeting, Norman Talsoe, a one-time employee of Seagate, sent a letter to the Undersecretary for Technology at the Department of Commerce. The letter discussed the "form factor patent" issue, specifically mentioning Rodime's '383 patent. Mr. Talsoe, after representing that he had "left Seagate," offered his consulting services to the Undersecretary. The record shows that Seagate was still paying Mr. Talsoe salary and benefits at the time he wrote this letter. In fact, Seagate's counsel assisted in the preparation of the letter.

Participants in the form factor meetings also met with PTO officials to discuss the issue. They suggested changes to the Manual of Patent Examining Procedure to educate the "Examining Corps" about form factor patents. Seagate suggested that the PTO hire an "independent consultant" to develop an education plan, specifically recommending Mr. Talsoe for the job. At that time, Seagate still employed Mr. Talsoe as a consultant.

Procedural History

In November 1992, Rodime filed this action against Seagate in the District Court for the Central District of California asserting infringement of claims 3, 5, 8, and 17 of the '383 patent. Rodime also asserted state law causes of action, including tortious interference with prospective economic advantage, unfair competition, and trade libel, the first two of which are on appeal to this court.

Three district court judges presided over this case: the late Hon. Richard Gadbois, Jr., followed by the Hon. Kim McLane Wardlaw, and finally the Hon. J. Spencer Letts. Seagate initially moved for summary judgment of noninfringement before Judge Gadbois who referred the matter to a special master. The special master focused his analysis solely on the "positioning means" recited in claims 3, 5, and 8. Rodime argued that this claim element does not fall within the requirements of 35 U.S.C.§ 112, ¶ 6 (1994) because it recites sufficient structure to avoid strict functional claiming rules. Rodime further argued that even if the claim element falls under § 112, ¶ 6, it only recites the function of moving the heads from track to track, not the function of performing thermal compensation to position the heads within a particular track. Thus, Rodime continued, the interpreting court need not read the structure corresponding to the thermal compensation function into the claims.

The special master disagreed on both points. He proposed interpreting the disputed claim element as a means-plus-function element because the claim purportedly recited only some of the structural elements underlying the means- plus-function element. He then determined that "the positioning means must include at least some sort of thermal compensation system . . . since the specification defines the positioning means as including such structure." Nevertheless,

the special master recommended denying Seagate's motion for summary judgment of noninfringement with respect to the ST157 family of disk drives. Specifically, he detected unresolved questions of fact regarding equivalence between Seagate's thermal compensation system and the thermal compensation system described in the patent.

Although Judge Gadbois adopted the special master's report in its entirety, he further expounded on the question of whether the "positioning means" invokes § 112, ¶ 6. Relying on *Laitram Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1536, 19 USPQ2d 1367, 1369 (Fed.Cir.1991), he noted that a claim element remains subject to means-plus-function rules when the structure recited in the element tells only what the means *does*, but not what it *is* structurally. Applying this rule, the district court decided that the claimed "positioning means" recites what the positioning means *includes* rather than what it *is*.

In due course, Judge Letts assumed responsibility for the case. Despite the earlier resolution of the matter by the special master and Judge Gadbois, Judge Letts held a Markman hearing to interpret the "positioning means" element. He decided "it was necessary to readdress [the interpretation of the positioning means] independently because that question might be dispositive of a second issue that had not been addressed: whether the equivalence issue in this case should actually go to a jury." Analyzing the positioning means under § 112, ¶ 6, he concluded that the special master and Judge Gadbois had correctly determined that the corresponding structure included structure for performing thermal compensation. He went further, however, and determined that the patent required the claimed thermal compensation function to be performed *solely* by the arrangement, geometry, and selection of materials. Under that

interpretation, Seagate's drive did not literally infringe because it used additional structure, the thermal pin, to perform thermal compensation. Moreover, Judge Letts opined that the prosecution history estopped Rodime from asserting infringement under the doctrine of equivalents. Thus, he granted Seagate summary judgment that its ST157 drives did not infringe the '383 patent.

On the state law claims, the district court held that Rodime had not stated a cause of action under the requirements of *Della Penna v. Toyota Motor Sales U.S.A., Inc.*, 11 Cal.4th 376, 45 Cal.Rptr.2d 436, 902 P.2d 740 (Cal.1995). The district court further held that patent laws would preempt Rodime's cause of action even if it had successfully stated an actionable claim. Rodime appeals from the district court's judgment on infringement and the state law claims.

After the district court entered judgment in Seagate's favor, Seagate moved for an evidentiary hearing to establish that this case was "exceptional," warranting an award of attorney fees. Seagate based its motion on Rodime's alleged inequitable conduct and abuse of the litigation process. The district court denied Seagate's motion for a hearing and later denied Seagate's motion for attorney fees. In its cross-appeal, Seagate asserts that the district court erred in both of these actions.

II.

This court reviews a district court's grant of summary judgment by reapplying the standard applicable at the district court. *See Conroy v. Reebok Int'l, Ltd.*, 14 F.3d 1570, 1575, 29 USPQ2d 1373, 1377 (Fed.Cir.1994). Summary judgment is appropriate only when "there is no genuine issue as to any material fact and . . . the moving party is entitled to a

judgment as a matter of law." Fed.R.Civ.P. 56(c). In its review, this court draws all reasonable inferences in favor of the non-movant. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986).

This court reviews the district court's evidentiary decisions under the law of the regional circuit where appeals from the district court would normally lie. *See Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 1465, 45 USPQ2d 1545, 1552 (Fed.Cir.1998). The Ninth Circuit reviews such matters for abuse of discretion. *See Williams v. Hughes Helicopters, Inc.*, 806 F.2d 1387, 1392 (9th Cir.1986). This court also reviews the district court's decision to deny attorney fees for abuse of discretion. *See Interspiro USA, Inc. v. Figgie Int'l, Inc.*, 18 F.3d 927, 933-34, 30 USPQ2d 1070, 1074 (Fed.Cir.1994).

III.

Determining infringement is a two-step process. This court first construes the claims, then compares the properly construed claims to the accused device. *See Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1454, 46 USPQ2d 1169, 1172 (Fed.Cir.1998) (en banc). A central issue in this case is the district court's interpretation of the "positioning means" in independent claims 3, 5, and 8. This court reviews the district court's claim construction without deference. *See Cybor*, 138 F.3d at 1456.

Before the district court, Rodime argued that the "positioning means" element did not invoke § 112, ¶ 6 because, although that element contains traditional "means" language, it also recites sufficient structure to take it outside the bounds of that provision. On appeal, however, Rodime appears to have conceded this threshold issue, devoting its argument instead to the function and corresponding structure

implicated by the positioning means. That concession, however, does not relieve this court of its responsibility to interpret the claims as a matter of law. To interpret the claims, this court must decide the subsidiary question of whether the claim element disputed by the parties invokes § 112, ¶ 6 in the first instance. *See Personalized Media Communications, LLC v. International Trade Comm'n*, 161 F.3d 696, 702, 48 USPQ2d 1880, 1886 (Fed.Cir.1998) ("Whether certain claim language invokes 35 U.S.C. § 112, ¶ 6 is an exercise in claim construction and is therefore a question of law. . . .") Only by undertaking this inquiry can this court ensure consistency in statutory application. Moreover, this court's claim interpretation affects entities beyond the parties to this case. Therefore, this court examines the district court's decision that this claim falls under § 112, ¶ 6.

The word "means" is "part of the classic template for functional claim elements." *Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1427, 44 USPQ2d 1103, 1109 (Fed.Cir.1997). Accordingly, in determining whether a claim element falls within § 112, ¶ 6, this court has presumed an applicant advisedly used the word "means" to invoke the statutory mandates for means-plus-function clauses. *See id.* Two specific rules, however, overcome this presumption. First, a claim element that uses the word "means" but recites no function corresponding to the means does not invoke § 112, ¶ 6. *See id.* at 1427. Second, even if the claim element specifies a function, if it also recites sufficient structure or material for performing that function, § 112, ¶ 6 does not apply. *See id.* at 1427-28 ("[W]here a claim recites a function, but then goes on to elaborate sufficient structure, material, or acts within the claim itself to perform entirely the recited function, the claim is not in means-plus-function format."); *Personalized Media*, 161 F.3d at 704 ("In deciding whether

[the] presumption has been rebutted, the focus remains on whether the claim as properly construed recites sufficiently definite structure to avoid the ambit of § 112, ¶ 6."); *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 531, 41 USPQ2d 1001, 1006 (Fed.Cir.1996) ("An element with such a detailed recitation of structure . . . cannot meet the requirements of [s 112, ¶ 6].").

In claim 3, the element at issue begins: "positioning means for moving said transducer means between the concentrically adjacent tracks on said micro hard- disk ." Claims 5 and 8 use language nearly identical to claim 3, but with the addition of "first and second" before "transducer." Because the element uses the word "means," this court presumes that § 112, ¶ 6 applies. This court next looks to whether the element specifies a function for performing the claimed means. In making that determination, this court relies primarily on the claim language itself. *See York Prods., Inc. v. Central Tractor*, 99 F.3d 1568, 1574, 40 USPQ2d 1619, 1624 (Fed.Cir.1996).

The claim element clearly associates the function of "moving said transducer means between the concentrically adjacent tracks" with the "positioning means." The district court, however, interpreted the element to require more than movement between tracks: "In the disputed claims, the positioning means must not only function to move the head from track to track, it must be able to record data onto a disk and retrieve that data at a later time. Accordingly, the positioning means . . . must be able to *accurately* locate a track upon which information was recorded at an earlier time." (emphasis added). The district court reasoned that the positioning means could only achieve such "accuracy" with thermal compensation. Thus, according to the district court,

thermal compensation must be a function of the claimed means.

In so construing the claims, the district court erred by importing the functions of a working device into these specific claims, rather than reading the claims for their meaning independent of any working embodiment. *See Transmatic, Inc. v. Gulton Indus., Inc.*, 53 F.3d 1270, 1278, 35 USPQ2d 1035, 1041 (Fed.Cir.1995) ("[T]he district court erred by importing unnecessary functional limitations into the claim."); *Constant v. Advanced Micro-Devices, Inc.*, 848 F.2d 1560, 1571, 7 USPQ2d 1057, 1064 (Fed.Cir.1988) ("Although the specification may aid the court in interpreting the meaning of disputed language in the claims, particular embodiments and examples appearing in the specification will not generally be read into the claims."). A claim need not claim every function of a working device. Rather, a claim may specify improvements in one function without claiming the entire machine with its many functions.

Based on these principles, the district court's strained interpretation of the claimed function cannot stand. The claim language itself clearly states the function of the positioning means: to move the transducer between tracks on the hard-disk. The prepositional link "for" ties the "means" to its function. Later in the same element, the claim reiterates: "causing said read/write heads to move from one track to the next adjacent track on said micro hard disk." The claim says nothing about accurate placement of a head within a track. Nor does it mention thermal compensation in any respect.

The specification underscores the function of movement amongst tracks. It explains that the "positioning mechanism moves the transducer between the tracks." Col. 3, ll. 45-46 (emphasis added). Again at col. 3, ll. 53-56, the specification states that the "positioning means *moves* the transducer along

an arcuate path that extends in the radial direction with respect to the disk" so that "the transducer can *move* between the innermost and outermost tracks on the disk." Col. 3, ll. 53-56 (emphasis added). These passages emphasize that the function expressly recited in claims 3, 5, and 8 is the claimed function.

To summarize, § 112, ¶ 6 presumptively applies to the "positioning means" in the asserted claims because that element employs traditional "means" language. In addition, the claim language links the means with a function, namely, moving the transducer between tracks on the hard-disk. Accordingly, to this point, the claim element would appear to fall within § 112, ¶ 6. The final step in the analysis, however, requires this court to determine whether the claim nevertheless recites sufficient structure for performing the moving function to take it outside the bounds of that provision.

Following the portion of the claim element quoted above ("positioning means for moving said transducer means between the concentrically adjacent tracks on said micro hard-disk"), claim 3 further provides a list of the structure underlying the means: "said positioning means including: two support arms . . . a pivot shaft . . . a positioning arm . . . a bearing assembly . . . a stepper motor . . . means for operating said stepper motor . . . and a tensioned steel band. . . ." The claim also recites the specific location and interconnection of each of these structural sub-elements. The pivot shaft, for example, has "an axis located on one side of said support arms and spaced away from said support arms." The positioning arm has attached to it "ends of said support arms" and is also "coupled to said pivot shaft." The tensioned steel band couples "said drive shaft of said stepper motor to the other end of said positioning arm." This detailed recitation

of structure for performing the moving function takes this claim element out of the scope of § 112, ¶ 6.

The analysis of claims 5 and 8 proceeds similarly. Those claims recite: "positioning means for moving said first and second transducer means between the concentrically adjacent tracks on said micro hard-disks, said positioning means including a positioning arm . . . a pivot shaft . . . four support arms . . . a stepper motor . . . and means for operating said stepper motor." In addition to the recited structure, these claims also recite the interconnection of the structural components and their location with respect to other elements of the claimed combination. For example, the positioning arm is "disposed within the sealed housing." The pivot shaft is "coupled to one end of said positioning arm" and supports "said positioning arm for rotational movement relative to said micro hard-disks." As with claim 3, this detailed recitation of structure for performing the moving function removes this element from the purview of § 112, ¶ 6.

In reaching the opposite conclusion, the special master seemed concerned that the claim did not recite every last detail of structure disclosed in the specification for performing the claimed moving function. This court's case law, however, does not require such an exhaustive recitation to avoid § 112, ¶ 6. Instead, the claim need only recite "sufficient" structure to perform entirely the claimed function. *See Sage*, 126 F.3d at 1427-28; *Personalized Media*, 161 F.3d at 704. Based on the structure disclosed in the specification for performing the moving function, these claims recite nearly all (if not all) of the structural components of the positioning mechanism. In any case, they clearly recite more than sufficient structure for moving the transducer from track to track. Moreover, this case is different from *Laitram*--relied on by the district

court--where the claim element merely recited "some" structure that only "serve[d] to further specify the function of [the] means." 939 F.2d at 1536. Rather, in the words of *Laitram*, the structure specified in claims 3, 5, and 8 tells what the means "*is* structurally." *Id.*

The district court thus erred in interpreting the claims at issue to require the function of thermal compensation and further erred in using § 112, ¶ 6 to read the structure for performing thermal compensation into the claims. As discussed above, the "positioning means" in claims 3, 5, and 8 does not require the function of thermally compensating and recites sufficient structure to fall outside the limits of § 112, ¶ 6.

On appeal, Seagate argues that the district court correctly interpreted the "positioning means" in claims 3, 5, and 8 to include the thermal compensation function. Moreover, Seagate notes, because the claims do not contain structure for the thermal compensation function, these claims fit within the regime of § 112, ¶ 6. To strengthen this argument, Seagate points to the modifier "positioning" in "positioning means." According to Seagate, "positioning denotes placement beyond mere moving." As noted above, however, the language of claims 3, 5, and 8 do not recite a thermal compensation function at all.

Beyond their claim language, however, the context for claims 3, 5, and 8 within the patent underscores that they do not include a thermal compensation function. For example, the language of claim 11, not asserted in this litigation, supports the reading of claims 3, 5, and 8 to require only a moving function. Claim 11 recites: "positioning means for moving said transducer means between the tracks on said hard-disk, *said positioning means being formed of selected materials for compensating for any mispositioning arising*

from thermal effects . . .."(emphasis added). Thus, the "positioning means" claimed in claim 11, unlike those in claims 3, 5, and 8, explicitly adds the function of "compensating for any mispositioning arising from thermal effects." In other words, the narrower claim 11 adds a thermal compensation function expressly not included in the broader claims 3, 5, and 8. Had Rodime intended or desired to claim thermal compensation as a function of the positioning means in the asserted claims, it could have done it explicitly, as in claim 11. The absence of any such explicit language, however, shows that claims 3, 5, and 8 do not include the function of thermal compensation.

Any difficulty in identifying the function performed by the claimed means apparently stems from the description of the preferred embodiment of the positioning mechanism, which has thermal compensation built into it. As the specification explains: "By appropriately selecting materials of different coefficients of thermal expansion for the various components of the positioning mechanism, it is possible to provide thermal compensation so as to ensure that the read/write heads remain on track irrespective of thermal effects." Col. 8, ll. 22-27. This passage, however, merely highlights the unremarkable fact that a particular means may perform more than one function. It does not follow, however, that the positioning means in claims 3, 5, and 8 necessarily performs both these functions. *See Velo-Bind, Inc. v. Minnesota Mining & Mfg. Co.*, 647 F.2d 965, 968-69, 211 USPQ 926, 929 (9th Cir.1981) (declining to interpret "cutting means" to include a binding function merely because the specification disclosed a *hot* knife that performed both cutting and binding). Indeed, the two functions are not inextricably intertwined. Rather, the specification associates separate structure with each separate function. The specification teaches one of ordinary skill in this art to construct and use a

positioning mechanism to move the transducer heads from track to track without "appropriately selecting materials of different coefficients of thermal expansion." While such a construction would not compensate for thermal effects, it would nevertheless operate to move the read/write heads from track to track. In other words, thermal compensation is an additional function, with separate, additional structure, included within this patent as a separate claimed feature within the broader parameters of the entire claimed invention. Each claim, however, need not carry the limitations of narrower, specific claimed features. The specification makes this distinction and supports the interpretation of this language of claims 3, 5, and 8 which recite only the function of movement between tracks.

Finally, the prosecution history of these claims also supports the express claim language. During reexamination, the examiner rejected claim 11-- which specifically recites thermal compensation as a function of the positioning means--based on European Patent Application No. 0,055,568. That reference describes a thermal compensation system in a prior Rodime hard-disk. Responding to that rejection, Rodime distinguished its claimed thermal compensation structure from the prior art. The examiner, recognizing the additional function in narrower claim 11, cited no thermal compensation art against claims 3, 5, and 8, nor did Rodime raise thermal compensation at all in relation to those claims. This prosecution history accords with this interpretation of the language of the claims. The claim language does not recite any thermal compensation function in claims 3, 5, and 8 and the examiner understood that interpretation. In addition to the claim language, this prosecution history also served to notify the public of differences between the narrower functions of claim 11 and the broader functions of claims 3, 5, and 8.

In sum, claims 3, 5, and 8 do not warrant interpretation under § 112, ¶ 6 because they recite sufficient structure to perform the entire claimed function. By applying § 112, ¶ 6 to these claims, the trial court mistakenly read limitations from the specification into the claims. Properly interpreted, the asserted claims do not require thermal compensation. Because the district court granted summary judgment of noninfringement on grounds relating only to the particular thermal compensation scheme used in Seagate's drives, this court vacates that judgment and remands for further proceedings to determine whether Seagate has infringed the claims.

IV.

State Law Claims

Rodime also appeals from the district court's grant of summary judgment that Seagate is not liable for tortious interference with Rodime's prospective economic advantage or for unfair competition. The district court held that Rodime did not allege facts sufficient to state a cause of action under *Della Penna* and, even if the facts were sufficient, the patent laws preempted Rodime's claims.

As a preliminary matter, the patent laws do not preempt Rodime's state law claims. Rodime based its claims on Seagate's alleged efforts to dissuade other disk drive companies from taking a license from Rodime. The patent laws will not preempt such claims if they include additional elements not found in the federal patent law cause of action and if they are not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law. *See Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473, 46 USPQ2d 1120, 1123 (Fed.Cir.1998). Seagate

alleges that Rodime's causes of action implicate the patent law cause of action of inducement to infringe.

To the contrary, the elements of proof for inducement are markedly different from those for tortious interference and unfair competition. Inducement requires proof that the accused infringer knowingly aided and abetted another's direct infringement of the patent. *See Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668, 7 USPQ2d 1097, 1103 (Fed.Cir.1988). Tortious interference, in contrast, requires proof that the defendant intentionally engaged in acts wrongful by some measure other than the fact of the interference itself which are designed to disrupt an economic relationship between the plaintiff and another. *See Della Penna*, 45 Cal.Rptr.2d 436, 902 P.2d at 743 n. 1, 751. Inducement requires no proof that the acts underlying the inducement are "wrongful" by some measure other than the fact of the inducement itself.

As to unfair competition, Rodime must prove that Seagate engaged in an unfair business practice, that is, a business practice that is immoral, unethical, oppressive, unscrupulous, or substantially injurious. *See People v. Casa Blanca Convalescent Homes, Inc.*, 159 Cal.App.3d 509, 206 Cal.Rptr. 164, 177 (Cal.Ct.App.1984). Inducement, in contrast, requires no such proof that the alleged infringer's business practice is immoral, oppressive, or the like.

Thus, these state law causes of action require proof of additional elements not found in the patent law cause of action. Moreover, this court finds that these state law causes of action do not constitute an impermissible attempt to offer patent-like protection to subject matter addressed by federal law. Tortious interference protects business relationships. Unfair competition prevents unethical and oppressive business practices. Neither of these regimes purport to extend

protection to the classes of invention protected by Title 35. *See* 35 U.S.C. § 101 (1994). Because these state law causes of action protect interests different from federal patent law, federal law does not preempt Rodime's state law claims.

The district court also held that Rodime did not state a cause of action under the requirements of *Della Penna*, which modified the elements of proof necessary to establish tortious interference with prospective economic relations. At the outset, *Della Penna* deals only with the tort of interference with prospective economic relations and is silent about the tort of unfair competition. Accordingly, the district court erred in dismissing Rodime's unfair competition claim because it did not satisfy the requirements of *Della Penna*. As to tortious interference, *Della Penna* requires, in pertinent part, proof that a defendant intentionally engaged in wrongful acts or conduct designed to interfere with or disrupt an economic relationship between plaintiff and *another*. *See Della Penna*, 45 Cal.Rptr.2d 436, 902 P.2d at 743 n. 1, 751. *Della Penna* specifies that the acts or conduct must be wrongful "by some legal measure other than the fact of interference itself." *Id.* at 751. Viewing the facts most favorably to Rodime, this court finds a genuine issue of material fact in dispute, namely, whether Seagate's activities were wrongful by some legal measure other than the fact of interference itself. This dispute of material fact precludes summary judgment.

Viewed in a light most favorable to Rodime, Rodime has presented evidence showing the chain of events discussed at the outset of this opinion. This court also finds relevant Mr. Talsoe's letter to the Department of Commerce offering his consulting services in which he indicated that he had "left Seagate" even though he was still receiving salary and benefits from Seagate. Seagate's attorneys, having assisted in

drafting the letter, were apparently aware of the misrepresentation, but made no attempt to correct it.

These activities suffice to establish a disputed issue of fact as to the wrongfulness of Seagate's conduct. Seagate's contacts with Rodime's potential licensees, as well as the meetings organized by Seagate, for example, give rise to an inference that Seagate's activity was anti-competitive and may have violated the antitrust laws. In addition, the misleading, if not outright false, statements made by Mr. Talsoe and Seagate to the PTO similarly raise a genuine issue of fact about the wrongfulness of Seagate's conduct. *See* 18 U.S.C. § 1001 (1994) (false representations to a government agency grounds for fine and imprisonment); 37 C.F.R. § 10.23 (1996) ("A practitioner shall not . . . engage in conduct involving dishonesty, fraud, deceit, or misrepresentation," including "giving false or misleading information" to the PTO).

Seagate contends that the *Noerr-Pennington* doctrine protects its meetings with others for the purpose of petitioning the PTO. That doctrine immunizes, under the First Amendment, solicitation of governmental action even though the sole purpose of the solicitation is to restrain competition. Seagate's contention fails for two reasons. First, *Noerr-Pennington* does not protect conduct which is otherwise unlawful. *See Federal Trade Comm'n v. Superior Court Trial Lawyers Ass'n*, 493 U.S. 411, 110 S.Ct. 768, 107 L.Ed.2d 851 (1990). As just noted, there is a genuine issue of fact as to whether Seagate's conduct was otherwise unlawful. Even assuming that *Noerr-Pennington* immunity applies, however, it would only protect Seagate's efforts to petition the government. Before the form factor meetings, Seagate's contacts with Rodime's potential licensees, again construed

most favorably to Rodime, had nothing to do with petitioning the government.

Accordingly, this court vacates the district court's order granting summary judgment on Rodime's state law claims and remands for a trial on the merits.

V.

Consequential Business Damages

During the course of the litigation, Rodime elected to forego lost profits as a measure of damages in favor of reasonable royalties. As part of its reasonable royalty case, however, Rodime wished to prove certain so-called "consequential business damages." Specifically, Rodime alleges that Seagate's refusal to take a license under the '383 patent deprived Rodime of an income stream sufficient to enable it to have survived and profited as a disk-drive manufacturer, forcing it to instead declare bankruptcy. According to the report of Rodime's damages expert: "A reasonable estimate of this *additional* damage through June 1993 is in the range of $58 to $107 million, *over and above the royalty revenues.*" (emphasis added). Seagate successfully moved to exclude this evidence because such damages are not relevant to the calculation of a reasonable royalty. Rodime appeals the exclusion.

Rodime's position has some superficial appeal. The foundation of a reasonable royalty analysis is a hypothetical negotiation between the patentee and the accused infringer at the time the infringement began. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554, 35 USPQ2d 1065, 1076-77 (Fed.Cir.1995) (en banc). The condition of Rodime's business at the time of such a hypothetical negotiation with Seagate may have affected the outcome of those negotiations. If, for example, Rodime faced imminent bankruptcy (as borne out by

later events), Rodime may have factored that consideration into the royalty it sought. In that sense, Rodime's evidence would seem to be relevant to its reasonable royalty case.

Rodime, however, does not seek to inform the circumstances of the hypothetical negotiation as part of its computation of a reasonable royalty. Instead, Rodime seeks to recover additional damages--those flowing from Seagate's refusal to take a license--above and beyond a reasonable royalty. This court discerns no abuse of discretion by the district court in excluding the evidence for that purpose. The "consequential damages" Rodime seeks are merely a species of lost profits. Having elected to pursue only a reasonable royalty, Rodime cannot, in the district court's words, "bootstrap evidence of its lost profits back into the case by reference to 'reasonable royalties.' " Accordingly, this court affirms the district court's grant of Seagate's motion *in limine* to exclude evidence of Rodime's consequential business damages.

VI.

Attorney Fees

Seagate cross-appeals the district court's denial of its motion for attorney fees based on Rodime's alleged inequitable conduct in securing the '383 patent and on Rodime's alleged abuse of the litigation process. Seagate faults the district court for summarily denying attorney fees without entering findings as to exceptional case. Because this court vacates the district court's judgment of noninfringement, Seagate is no longer a "prevailing party" under 35 U.S.C. § 285 (1994). Accordingly, Seagate is not entitled to a finding of exceptional case or to an award of attorney fees.

VII.

For the foregoing reasons, judgment of the district court is vacated-in-part, affirmed-in-part, and remanded. This court vacates the judgment of noninfringement and the judgment of no liability for Rodime's state law claims, affirms the exclusion of Rodime's consequential business damages, and remands for further proceedings.

COSTS

Each party shall bear its own costs.

VACATED-IN-PART, AFFIRMED-IN-PART, AND REMANDED.

APPENDIX B

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. CV92-6855 JSL

RODIME PLC,
Plaintiff,
v.

SEAGATE TECHNOLOGY, INC.,
Defendant.

SEP 25 1997

ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT OF NO LIABILITY FOR STATE CLAIMS

Before the court is defendant Seagate Technology's Motion for Summary Judgment of No Liability for State Claims. Having reviewed the papers filed in connection with this matter, and being fully apprised of the relevant facts and law, the court finds the following facts to be uncontroverted, and reaches the following conclusions of law.

FINDINGS OF FACT

1. In an order dated July 3, 1997, the court adjudged that the Seagate ST157 positioning mechanism does not infringe claims 3, 5, 8 or 17 literally or under the doctrine of equivalents.

2. In the order dated July 3, 1997 the court further "ordered and adjudged that summary judgment be entered in

favor of Seagate, provided that the court will proceed with an advisory jury trial if either party so requests.

3. The offer to proceed with an advisory jury was made for the purpose of assuring finality, if either party was concerned about the question of the right to jury determination of the issues.

4. Neither party requested that the matter proceed with a jury.

5. In orders of the court dated, April 17, 1995, and August 22 1995, the court determined that 11 of the 13 accused drive families were non-infringing.

6. In *Quantum Corp. v. Rodime*, 65 F.3d 1577, (Fed. Cir. 1995), *cert. denied*, 116 S.Ct. 1567 (1996), the Federal Circuit affirmed that claims 4, 6, 7, 9, and 19-27 were invalid because they were impermissibly broadened during reexamination.

7. As a result of the order of this court dated July 3, 1997, and the preceding orders of this or other courts, all claims asserted by Rodime against Seagate in this action have been held to be invalid or non-infringed.

8. None of the Rodime claims which were not held invalid were of "pioneer" status; the court and every independent expert had substantial doubt of their validity.

9. All of the Rodime state claims depend on the alleged wrongfulness of Seagate's attempts to discourage others from taking licenses under the Rodime patent.

CONCLUSIONS OF LAW

1. Summary judgment is proper when there are no issues of material fact that are genuinely in dispute, and the moving party is entitled to judgment as a matter of law. Fed.

R. Civ. P. 56; *Anderson v. Liberty Lobby Inc.*, 477 U.S. 242, 250, 106 S.Ct. 2505, 2511 (1986). "If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted." *Id.* at 249-250.

2. To defeat a summary judgment motion, the opposing party must present evidence "such that a reasonable jury could return a verdict for the non-moving party." *Id.* at 248.

3. All of the material facts alleged by Rodime in its state law causes of action are controlled by *Della Penna v. Toyota Motor Sales*, 11 Cal.4th 376 (1995), and are insufficient to state a cause of action.

4. The allegedly wrongful acts of Seagate in attempting to prevent the patent from being issued do not constitute an adequate factual basis for any of Rodime's state law claims.

5. If the alleged wrongful acts did constitute a basis for any of Rodime's state law claims, the claims would be pre-empted by federal patent laws in the undisputed circumstances of this case.

6. Statements made by alleged infringers to other alleged infringers of issued patents to the effect that a patent is invalid are necessarily taken as statements of opinion, and may not be urged as misrepresentations of fact.

7. Evidence of Licensing by others is a factor to be considered in determining the validity of a patent in an action between a patent holder and an alleged infringer. 2 Peter D. Rosenberg, *Patent Law Fundamentals* § 9.05 (1997).

8. The facts alleged concerning efforts of Seagate to dissuade others from taking licenses under the Rodime patent, in view of the effect of such licenses on its own anticipated litigation, do not constitute a cause of action under California law, without reference to *Della Penna*.

9. If these alleged facts were deemed to constitute any of the alleged causes of action under California law, those actions would be preempted by patent laws in the undisputed circumstances of this case.

10. Rule 54(b) permits the court to enter final judgment of non-infringement, and no liability for Rodime's state claims, without reference to the fact that Seagate has raised defenses which remain unadjudicated. *W.L. Gore v. Intern. Medical Prosthetics Company*, 975 F.2d 858 (Fed. Cir. 1992).

Accordingly, IT IS HEREBY ORDERED that defendant Seagate Technology, Inc.'s Motion for Summary Judgment of No Liability for State Claims be GRANTED.

This order is a final order that does not require any additional articulation of its grounds. It will not be reconsidered except in accordance with the Federal Rules of Civil Procedure. For purposes of judicial economy, and to provide the parties with as timely a final decision as possible, the court has not decided whether it may be desirable to articulate further the grounds for its decision. Accordingly, this order may be supplemented only for that purpose within the next ninety days. However, the decision and the substance of the order will not be altered.

IT IS SO ORDERED.

DATED: 9/31/99

/s/ Spencer Letts
J. Spencer Letts
United States District Judge

APPENDIX C

United States District Court
Central District of California

No. CV92-6855JSL

RODIME PLC, A SCOTTISH COMPANY,
Plaintiff,

v.

SEAGATE TECHNOLOGY, INC.,
A Delaware Corporation,
Defendant.

July 3, 1997.

ORDER AND JUDGMENT *RE MARKMAN* CLAIM INTERPRETATION HEARING

LETTS, District J.

On February 25 and 26, 1997, this Court conducted a *Markman* hearing to resolve the claim construction issues in this action. Having reviewed the papers submitted regarding this matter, having heard the evidence and oral argument presented at the *Markman* hearing, and being fully apprised of the relevant facts and law, IT IS HEREBY ORDERED AND ADJUDGED that

1. The positioning means elements of claims 3, 5, 8, and 17 of Rodime's '383 patent require thermal compensation.

2. The positioning means of claims 3, 5, 8, and 17 of Rodime's '383 patent provides thermal compensation solely by arrangement, geometry, and selection of materials.

3. The Seagate ST157 positioning mechanism does not literally infringe claims 3, 5, 8, and 17 because it uses a separate member for thermal compensation.

4. The Seagate ST157 positioning mechanism does not infringe claims 3, 5, 8, and 17 under the doctrine of equivalents or under § 112, ¶ 6 because it uses a separate member for thermal compensation.

IT IS FURTHER HEREBY ORDERED AND ADJUDGED that summary judgement be entered in favor of Seagate, provided that, however, the Court will proceed with an advisory jury trial if either party so requests.

Discussion

The primary claim construction issue before the Court at the *Markman* hearing was whether the positioning means element of claims 3, 5, 8, and 17 of Rodime's '383 patent required thermal compensation. Although this question had been previously been answered by Special Master Wardlaw and Judge Gadbois, the Court decided it was necessary to readdress it independently because that question might be dispositive of a second issue that had not been addressed: whether the equivalence issue in this case should actually go to a jury.

The Court concurs with and adopts the conclusions reached by Judge Gadbois, Special Master, and court-appointed expert Professor Bogy, that thermal compensation has to be included in the positioning means element of the disputed claims. *Markman Hearing Exhibits*, Exhibit 7, p. 3--6 (Bogy); Exhibit 39, p. 9 (Wardlaw); Exhibit 40, p. 3--4 (Gadbois).

The Court's independent analysis focused primarily on the previously undiscussed issue of whether the "positioning

means" element could be sub- divided into two separate and distinct functions: the function of "moving" the head from track to track, and the function of thermal compensation. This simplistic statement of the issue suggested a simple answer: movement from track to track takes place in a period of time so brief that thermal compensation is not required for accurate movement. Consequently, thermal compensation could be defined as a distinct function from the function of moving from track to track. *Markman Hearing Transcript*, 2/25/97, at 63, 77 (Bogy), and 126 (Kline).

However, this narrow definition of moving is not a complete definition of the "moving" that is required of a computer disk drive system. In defining the function of a means plus function claim, the Court must define the function in terms that are relevant to the invention described in the specification. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed.Cir.1995). In the disputed claims, the positioning means must not only function to move the head from track to track, it must be able to record data onto a disk and retrieve that data at a later time. Accordingly, the positioning means of a disk drive system must be able to accurately locate a track upon which information was recorded at an earlier time.

The Court agrees with Professor Bogy that in order to accomplish this "moving" function thermal compensation is required. *Transcript of Proceedings*, 3/6/97, at 9--10. Without thermal compensation, the disk drive system would not be able to read data recorded previously at a different temperature. Since "moving" in the context of the disputed claims necessarily includes returning to tracks of previously recorded information, the fact that each required movement takes place in only a short period of time does not make the

function of movement separable from that of thermal compensation.

Rodime argues that the functions are nonetheless separable because the claimed invention can accomplish the relevant moving function without thermal compensation, so long as there are no significant changes in temperature between the time data is recorded and retrieved.[1] This would require that the invention only be operated 1) in a temperature-controlled environment and 2) after a "warm up" period.[2] This contention is not supported by the patent.

Nowhere in the patent, or any of the evidence examined by the Court, does it indicate that the disk drive system should only be used after delay or in a climate controlled environment. *See*, *Markman Hearing Transcript*, 2/25/97 at 57.[3] On the contrary, the patent indicates that the disk drive

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[1] Alternatively, Rodime argues that thermal compensation, even if necessary for the invention, is a trivial aspect of a disk drive system and need not be included in the disputed claims. However, on re-examination, Rodime distinguished the claimed invention over prior art based on the means for providing thermal compensation of its invention. *Markman Hearing Exhibits*, Exhibit 4(D) at L004253--L004255. The argument that the means for providing thermal compensation made its claimed combination novel over the prior art, estops Rodime from arguing before this Court that thermal compensation, although necessary, is a trivial aspect of a disk drive system that is not, and need not, be included in the disputed claims.

[2] Uncontradicted evidence presented at the *Markman* hearing established that, at least during a "warm up period," there are temperature changes created by the operation of the disk drive system itself that would require thermal compensation. *Markman Hearing Transcript*, 2/25/97, at 121 (Kline) and 129 (Bogy).

[3] 35 U.S.C. § 112, ¶ 1 mandates: " The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise and exact terms as to

system would not have such limitations. The patent repeatedly states that the invention is "particularly suited to meet the demands of a portable computer system" and other uses "where compact, rugged light-weight hard-disk storage is required." *See, e.g., Markman Hearing Exhibits*, Exhibit 1, '383 patent at Abstract; 1:38-49; 2:37-43 (object of the invention); 3:9-28; 5:11-15; 5:9-15; 5:34-39. These uses are not achievable with a disk drive system that must only be operated in a temperature-controlled room after a delay period. The value of portability is the ability to transport and use computers in multiple locations, which will inevitably have varying temperatures.

Further, if the disputed claims were construed to have these limitations they would not represent an advancement of the prior art, and may deprive the patented invention of any commercial use. The practical significance, in 1987, of a computer that could only be used in a temperature-controlled environment is doubtful. As indicated by the patent itself, such an invention would have been a step backwards in the development of computers, rather than a step forward toward compactness and portability.[4]

Having construed the positioning means element of the disputed claims as including thermal compensation, the Court concludes that the patent discloses and protects only positioning means that provide thermal compensation solely by arrangement, geometry, and section of materials. The

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enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."

[4] *See also, Markman Hearing Transcript*, p. 130 (Kline) (". . . clearly in the early conditions of manufacturing of disk drives, we imposed that they had to be in a controlled environment and they have to be operated exactly in that fashion.")

Seagate ST157 positioning mechanism does not infringe these claims because it uses a "separate member" to accomplish thermal compensation.

Although the issue of infringement under the doctrine of equivalence or under § 122 ¶ 6 presents a jury question, the Court can determine the issue under the general summary judgment standard when there is no genuine issue of material fact. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 137 L.Ed.2d 146 (1997).[5] In this action, there is not a genuine issue of material fact as to infringement.

The Court agrees with Professor Bogy that, based on two distinct lines of analysis, Seagate's ST 157 does not infringe the Rodime '383 patent under the doctrine of equivalence or under § 112, ¶ 6. *Markman Hearing Exhibits*, Exhibit 7, Report of Professor Bogy at 2, 15--27. First, Rodime is estopped from claiming equivalence by its arguments distinguishing prior art during re-examination. Second, limiting the equivalents to exclude systems that have a separate member for thermal compensation is the only construction consistent with the patent's validity.

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[5] "Where the evidence is such that no reasonable jury could determine two elements to be equivalent, district courts are obliged to grant partial or complete summary judgment. [citations omitted]. If there has been a reluctance to do so by some courts due to unfamiliarity with the subject matter, we are confident that the Federal Circuit can remedy the problem. Of course, the various legal limitations on the application of the doctrine of equivalents are to be determined by the court, either on a pre-trial motion for partial summary judgment or a motion for judgment as a matter of law at the close of the evidence and after the jury verdict. [citations omitted]. *Thus, under the particular facts of a case, if prosecution history estoppel would apply or if a theory of equivalence would entirely vitiate a particular claim element, partial or complete judgment should be rendered by the court, as there would be no further material issues for the jury to resolve.*" *Id.*, at n. 8.

Rodime is estopped from claiming equivalence by its arguments distinguishing prior art during re-examination. The prosecution history "is of primary significance in understanding the claims." *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 980 (Fed.Cir.1995), *aff'd* 116 S.Ct. 1384 (1996); *Alpex Computer Corp. v. Nintnedo Co.*, 102 F.3d 1214, 1220 (Fed.Cir.1996). If an applicant specifically distinguishes a structure from what is claimed during prosecution, the applicant will be estopped from asserting a scope for the same claim that covers the structure. *Alpex Computer Corp. v. Nintendo Co. Ltd.*, 102 F.3d 1214, 1221--22 (Fed.Cir.1996). Just as prosecution history may act to estop an equivalence argument under the doctrine of equivalents, positions taken before the PTO may bar an inconsistent position on claim construction under § 112, ¶ 6. *Id.*

In reexamination of the '383 patent, Rodime's attorneys distinguished the thermal compensation of the '383 patent from that of the Kaseta '996 patent. *Markman Hearing Exhibits*, Exhibit 4(D) at L0004254.[6] Rodime's attorneys admitted that the use of metallurgy to compensate for thermal effects was known in the art, but distinguished the Kaseta patent based on the fact that it used a "separate member," as opposed to relying solely on arrangement, geometry, and section of materials, to accomplish thermal compensation.[7]

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[6] Although this discussion was related to claim 11, this discussion is relevant to the disputed claims because the "positioning means" of those claims requires thermal compensation, and only one kind of thermal compensation is revealed in the specification: one that accomplishes thermal compensation solely by arrangement, geometry, and selection of materials. *See supra.*

[7] The court-appointed and party experts have considered at length the issue of how the Kaseta spring actually works to accomplish thermal

In so doing, Rodime is estopped from asserting that the scope of its claims cover a structure that accomplishes thermal compensation through a separate member. The "thermal pin" of Seagate's ST157 design is a "separate member" similar to the thermal biasing spring element of the Kaseta patent. *Markman Hearing Exhibits*, Exhibit 7, Report of Professor Bogy at 15--25. Therefore, the Court agrees with Professor Bogy that Rodime is estopped from claiming that such a structure is an equivalent. *Id.* at 26--27.

Even if, arguendo, Rodime is not deemed to be estopped by its arguments, limiting the scope of equivalents to exclude systems with thermal compensation relying on a "separate member" is the only construction consistent with the patent's validity. The Court, the court-appointed experts, and the Special Master in this action have repeatedly raised concerns that, in light of the inherent commonality of methods for making computers smaller, call into question the validity of the '383 patent. *See, e.g., Transcript of Proceedings*, 3/6/97, p. 6; *Markman Hearing Transcript*, 2/25/97, p. 66--67. The Court agrees with Professor Bogy that the Rodime '383 patent would have been obvious in light of the prior art but for its unique method for achieving thermal compensation, and its distinction and disavowal of combinations that achieved thermal compensation through a separate member. *See Markman Hearing Exhibits*, Exhibit 6 at 1.

Therefore, the scope of the '383 patent under the doctrine of equivalents and § 112, ¶ 6 is quite narrow. "The broadest

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compensation. *See Markman Hearing Exhibits*, Exhibit 7, Report of Professor Bogy at 22--25. The Court agrees with Professor Bogy that regardless of how the spring in Kaseta works, Rodime considered it a "separate member" from materials and geometry, and distinguished its claimed combination on that basis before the PTO. *See Markman Hearing Exhibits*, Exhibit 7, Report of Professor Bogy at 24.

protection under the doctrine of equivalents is reserved for pioneer or generic patents. . . as distinguished from a mere improvement or mere perfection of what had gone before." 3 Peter D. Rosenberg, *Patent Law Fundamentals* § 1707[1] at 17-95. Even if the test for equivalence is met, "there can be no infringement if the asserted scope of equivalency of what is literally claimed would encompass prior art." *Id.* at 17-90.1.

When questioned by the Court at the *Markman* hearing, Professor Bogy stated if Seagate has attempted to patent its ST157 design prior to Rodime, it would have been obvious in light of the teaching of Kaseta. If the scope of the Rodime '393 disputed claims covered thermal compensation structures that included a separate member, they would have been obvious in light of the teaching of Kaseta as well. *See Markman Hearing Transcript*, 2/25/97, at 105-107. Even without Kaseta, the use of a separate member for thermal compensation would have been obvious to those skilled in the art when the patent was prosecuted. *Id.* at 107.

Rodime obtained the patent by construing its claims narrowly, as not covering structures that used a separate member to accomplish thermal compensation. It was necessary for Rodime to make this narrow construction to obtain the '383 patent. The Court will not adopt a construction of the scope of the disputed claims pursuant to the doctrine of equivalents or § 112, ¶ 6 that would render them obvious and invalid.

IT IS SO ORDERED

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APPENDIX D

IN THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA

Case No. CV 92-6855 RG

RODIME PLC, a Scottish company,

Plaintiff,

vs.

SEAGATE TECHNOLOGY, INC.,
a Delaware corporation,

Defendant.

FILED OCT 12 1995
ENTERED OCT 13 1995

ORDER

SEAGATE'S MOTION FOR SUMMARY JUDGMENT OF NONINFRINGEMENT OF CLAIMS 3-9, 13, 14, 17, 19, 21, 23 AND 25-27 OF THE '383 PATENT

I. *INTRODUCTION*

This matter came before the Court on Seagate's Motion for Partial Summary Judgment for Non-Infringement of Claims 3, 9, 13, 14, 17, 19, 21, 23 and 25-27 of U.S. Patent No. B1 4,638,383 and the Court has considered the recommendations of the Special Master based on the materials submitted by the parties in connection with this matter and the argument heard by the Special Master on the matter. The Court has further considered the materials and arguments submitted by the parties in connection with the parties'

objections to the recommendations of the Special Master, and hereby adopts the Master's Report in its entirety[1].

II. *CLAIM INTERPRETATION*

All of the independent claims in issue recite as an element, "positioning means for moving said transducer means between the concentrically adjacent tracks on said micro hard-disk." See, e.g., '383 patent claim 3.[2] After reciting the "positioning means, each of the independent claims at issue goes on to state: "said positioning means *including*: . . ." followed by varying structural and other limitations. *Id.* (emphasis added). The use of the word "including" in a claim is recognized to be open ended and not limited. D. Chisum, 2 *Patents* § 8.06[1][b]. Open ended language is to be distinguished from closed language such as "consisting of" or "consisting essentially of". *Id.* Even though all of the claims at issue use virtually the same means plus function language in reciting this particular element, Rodime argues that only two of the claims at issue, claims 7 and 14, are to be interpreted according to 35 U.S.C. § 112(6). Rodime argues that the other independent claims must be interpreted as structural claims because they recite structural elements as part of the "positioning means."

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[1] It should be noted that in a recent decision, the Federal Circuit affirmed the District of Minnesota's decision that claims 4, 6, 7, 9, 14 and 19-27 of the patent at issue are invalid. *Quantum Corp. v. Rodime PLC*, ____ F.3d ____, 1995 U.S. App. Lexis 27162 (Fed.Cir. Sept. 22, 1995). Therefore, the only claims that remain at issue by Seagate's motion are claims 3, 5, 8, 13 and 17.

[2] While the individual claims may include minor variations of this phrase, this particular language from claim 3 is representative of all of the claims at issue.

In *Laitram Corp. v. Roxnord, Inc.*, 939 F.2d 1533, 1536 (Fed. Cir. 1991), the Federal Circuit pointed out that "[t]he recitation of some structure in a means plus function element does not preclude the applicability of section 112(6)." In *Laitram*, the court held that where "[t]he recited structure tells only what the means-for-joining *does*, but not what is structurally," it should be interpreted pursuant to 35 U.S.C. § 112(6). *Id.* (emphasis in original). Rodime argues that since the structural limitations of the independent claims other than claims 7 and 14 recite what the positioning means *is*, then the claim elements at issue must be interpreted as structural limitation rather that means plus function limitations. However, Rodime's argument is misplaced since the structural elements recited tell what the positioning means *includes* rather than what it *is*. Therefore, the elements at issue must be interpreted as means plus function elements to determine what else is "included" beyond the specifically recited structural sub-elements.

The Special Master properly concluded that as a matter of law, the "positioning means" element recited in each of the claims at issue should be interpreted as a "means plus function" element according to 35 U.S.C. § 112(6). Moreover, the Special Master's interpretation is consistent with the Federal Circuit's claim interpretation and infringement analysis in *Intellicall, Inc. v. Phonometrics, Inc.*, 952 F.2d 1384, 1387-89 (Fed. Cir. 1992). In that case, the claim at issue included recitation of "digital display" as a structural sub-element of a "call cost register" means plus function element. In interpreting the claim, the "digital display" limitation was treated as a structural limitation while the "call cost register means" element was interpreted according to 35 U.S.C. § 112(6). *Id.*

According to 35 U.S.C. § 112(6), an element written in means plus function language "shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof." After having determined that the claim language in dispute was to be interpreted according to § 112(6), the Special Master looked to the patent specification and file history to determine the precise structural elements from the specification that perform the stated function of "moving said transducer means between the concentrically adjacent tracks on said micro hard-disk." *See, e.g.*, '383 patent, claim 3. According to the undisputed public record, in addition to the structural elements necessary for mere movement of the transducer, this track-to-track movement function necessarily includes thermal compensation structure which enables the proper positioning of the transducer at a particular track rather than between tracks. *See, e.g.*, '383 patent, column 4, lines 30-56, column 8, line 22-column 9, line 19. Without thermal compensation structure, the transducer can certainly move, but cannot move between specific tracks with any reliability. According to the specification and file history, thermal compensation is achieved by structural elements that are designed and selected for their geometry and materials of construction. *Id.*

Rodime argues that even if the elements at issue are to be interpreted as means plus function elements, then the thermal compensation structure should not be included in the structure for performing the stated function. As support, Rodime argues the doctrine or claim differentiation and refers to claim 11 which specifically recites thermal compensation structure as part of the positioning means. However, claim differentiation is not applicable. When the claims at issue are interpreted to include thermal compensation structure, each of the claims differs from each of the other claims due to various other structure limitations. Therefore, claim 11 is of different scope

than the claims at issue. Moreover, "[c]laim differentiation is a guide, not a rigid rule. If a claim will bear only one interpretation, similarity will have to be tolerated." *Autogiro Company of America v. United States*, 384 F.2d 391, 404 (Ct. CI. 1967).

I find no error in the Special Master's interpretation of the relevant claim language. Claim interpretation is a question of law. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc). While normally, a court should not read limitations from the specification into the claim, such an analysis is not only permitted in interpreting a means plus function limitation pursuant to 35 U.S.C. § 112(6), it is statutorily mandated. *In re Donaldson Co., Inc.*, 16 F.3d 1189, 1195 (Fed. Cir. 1994).

III. *APPLICATION OF THE CLAIMS TO THE ACCUSED DEVICES*

Having properly interpreted the claim language at issue, the Special Master proceeded to apply the claims to the accused families of disk drives. If the accused infringer can show the lack of a single claim element or its equivalent, there can be no infringement, either literally or under the doctrine of equivalents, *Lemelson v. United States*, 752 F.2d 1538, 1551 (Fed. Cir. 1985).

A. *Literal Infringement*

In assessing an accused device for the presence of an element expressed as a means plus function limitation, the limitation is literally satisfied if the *identical* function is performed with the *same* or *equivalent* structure as is disclosed in the specification. *Valmont Industries, Inc. v. Reinke Mfg. Co., Inc.*, 983 F.2d 1039, 1042 (Fed. Cir. 1993). In his application of the properly interpreted claim language to the accused devices, the Special Master did not expressly

address the issue of whether the accused devices performed the identical function recited by the relevant claim language. Instead, the Special Master proceeded to address the issue of whether the structure for performing this function by the accused devices was equivalent to the structure found in the specification. Clearly, the Special Master omitted the first step because, for purposes of this motion, it was not disputed that the first step was satisfied in that the identical track-to-track positioning function set forth in the claims is performed by the accused devices.

According to the facts, Seagate's ST 157 family of disk drives includes thermal compensation structure which uses structure based on geometry and materials of construction to achieve accurate track-to-track movement of the transducer. *See* Sekimura Declaration, Ex. F, p. 141, Deposition Transcript of Ramgopal Battu. While it is not disputed that the combination of design geometry and materials selection of the accused family is different from that of the patent specification, issues of fact remain as to the extent of the differences. *See* Rodime's Statement of Genuine Issues of Fact, ¶¶ 29-31. Therefore, as the Special Master properly concluded, summary judgment as to the ST 157 family of disk drives is not appropriate.

For the ST 325/351 families of disk drives, the undisputed evidence shows that while these drives first use a stepper motor operating in an open loop mode to move the transducers, they then use a closed loop servo control mode to compensate for thermal errors and properly position and maintain the position of the transducers. *Id.* at ¶¶ 18a-18i. The closed loop control scheme plays an essential role in accurate track-to-track movement of the transducer. *Id.* at ¶ 18i. Such structure is substantially different from the structural elements relating to geometry and material selection

of Rodime's patent specification, and, therefore, the positioning means is substantially different from that of the specification. Rodime has presented no evidence to show that the thermal compensation scheme used by the accused devices is equivalent to that disclosed in the '383 patent specification. The patent specification itself underscores that a device that uses closed loop control for transducer positioning is significantly different from a device that uses open loop control. *See* '383 patent, column 2, lines 44-48 (an object of the invention is to provide a micro disk drive with an open-loop positioning system.) Since the structures are not equivalent, as a matter of law, the ST 325/351 families of disk drives do no literally infringe the claims at issue. *See Valmont Industries, Inc.*, 983 F.2d at 1044.

B. *Infringement Under the Doctrine of Equivalents*

"[T]he doctrine [of equivalents] applies if, and only if, the difference between the claimed and accused products or processes are insubstantial." *Milton Davis Chemical Co. v. Warner-Jenkinson Co.*, __ F.3d __, 35 U.S.P.Q. 2d 1641, 1644 (Fed. Cir. 1995) citing *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 610 (1950). The familiar function, way, and result test continues to be an important tool in testing "the substantiality of the differences between the accused and claimed products or processes." *Id.* at 35 U.S.P.Q. 2d 1645.

As pointed out by the Special Master, the function and result of the positioning means of the elements at issue are to accurately move the transducers between tracks. The ST 325/351 families of devices clearly perform the same function to achieve the same result. However, they do so by very different ways. The claimed devices rely on selected geometry of the components and materials of their construction in addition to the use of a stepper motor for accurately moving

the transducers between tracts. '383 patent column 8, line 21 - column 9, line 14. In contrast, the accused devices use a stepper motor which first operates in an open loop manner and then operates in a closed loop manner to achieve proper track positioning. Rodime's Genuine Issues of Fact, ¶¶ 18a-18i. The fact that a closed loop controller is interchangeable with the open loop thermal compensation disclosed in the specification is irrelevant since the patent specification itself teaches away from closed loop control. '383 patent, column 2, lines 44-48. Rodime has offered no evidence to support that such differences are insubstantial. Therefore, there can be no infringement under the doctrine of equivalents. *Valmont Industries, Inc.*, 983 F.2d at 1044.

IV. *CONCLUSION*

Since the Special Master has applied the proper legal standard in interpreting the claims, and there are no triable issues of material fact with respect to the ST 325/351 families of disk drives, summary judgment is proper.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

The Special Master's report is adopted by the Court and Seagate's motion for partial summary judgment that certain of its disk drives do not infringe claims 3-9, 13, 14, 17, 19, 21, 23 and 25-27 of Rodime's U.S. Patent No. B 14,638,383 is GRANTED with respect to the Seagate ST 325/351 families of disk drives, and DENIED with respect to the Seagate ST 157 family of disk drives.

IT IS SO ORDERED.

Dated: 10-12-95 /s/ Richard A. Gadbois Jr.

JUDGE RICHARD A. GADBOIS, JR.

APPENDIX E

United States Court of Appeals for the Federal Circuit

98-1076, -1112, -1204

RODIME PLC,

Plaintiff-Appellant,

v.

SEAGATE TECHNOLOGY, INC.,

Defendant-Cross Appellant.

FILED MAY 4 1999
JAN HORBALY
CLERK

ON MOTION

Before RADER and LOURIE, *Circuit Judge*, FRIEDMAN, *Senior Judge*

ORDER

Seagate Technology, Inc. moves to amend the decision of this court. Rodime PLC oppose.

Upon consideration thereof,

IT IS ORDERED THAT:

The motion is denied.

FOR THE COURT

/s/ Jan Horbaly/LP
Jan Horbaly, Clerk

Dated: May 4, 1999

cc: Karl A. Limbach
Margaret K. Pfeiffer

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APPENDIX F

UNITED STATES CODE ANNOTATED
TITLE 35. PATENTS
PART II--PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

CHAPTER 11 – APPLICATION FOR PATENT

§ 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

Subject to the following paragraph, a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A

multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

CHAPTER 28 — INFRINGEMENT OF PATENTS

§ 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more

of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

(e)(1) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

(2) It shall be an act of infringement to submit--

(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent, or

(B) an application under section 512 of such Act or under the Act of March 4, 1913 (21 U.S.C. 151-158) for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent, if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug or veterinary biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing into the United States of a patented invention under paragraph (1).

(4) For an act of infringement described in paragraph (2)--

(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug or veterinary biological product, and

(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug or veterinary biological product.

The remedies prescribed by subparagraphs (A), (B), and (C) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285.

(f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(g) Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United

States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after--

(1) it is materially changed by subsequent processes; or

(2) it becomes a trivial and nonessential component of another product.

(h) As used in this section, the term "whoever" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(i) As used in this section, an "offer for sale" or an "offer to sell" by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.

CALIFORNIA BUSINESS AND PROFESSIONS CODE §§ 17200-17205, 17208

§ 17200. Unfair competition; prohibited activities

As used in this chapter, unfair competition shall mean and include any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and Professions Code.

§ 17201. Person

As used in this chapter, the term person shall mean and include natural persons, corporations, firms, partnerships, joint stock companies, associations and other organizations of persons.

§ 17201.5. Board within the department of consumer affairs; local consumer affairs agency

As used in this chapter:

(a) "Board within the Department of Consumer Affairs" includes any commission, bureau, division, or other similarly constituted agency within the Department of Consumer Affairs.

(b) "Local consumer affairs agency" means and includes any city or county body which primarily provides consumer protection services.

§ 17202. Authority to grant specific or preventive relief

Notwithstanding Section 3369 of the Civil Code, specific or preventive relief may be granted to enforce a penalty, forfeiture, or penal law in a case of unfair competition.

§ 17203. Injunction; orders or judgments

Any person who engages, has engaged, or proposes to engage in unfair competition may be enjoined in any court of competent jurisdiction. The court may make such orders or judgments, including the appointment of a receiver, as may be necessary to prevent the use or employment by any person of any practice which constitutes unfair competition, as defined in this chapter, or as may be necessary to restore to any person in interest any money or property, real or personal, which may have been acquired by means of such unfair competition.

§ 17204. Actions for relief; prosecutors

Actions for any relief pursuant to this chapter shall be prosecuted exclusively in a court of competent jurisdiction by the Attorney General or any district attorney or by any county counsel authorized by agreement with the district attorney in actions involving violation of a county ordinance, or any city attorney of a city, or city and county, having a population in excess of 750,000, and, with the consent of the district attorney, by a city prosecutor in any city having a full-time city prosecutor or, with the consent of the district attorney, by a city attorney in any city and county in the name of the people of the State of California upon their own complaint or upon the complaint of any board, officer, person, corporation or association or by any person acting for the interests of itself, its members or the general public.

§ 17205. Cumulative remedies

Unless otherwise expressly provided, the remedies or penalties provided by this chapter are cumulative to each other and to the remedies or penalties available under all other laws of this state.

§ 17208. Commencement of action; limitations; revival

Any action to enforce any cause of action pursuant to this chapter shall be commenced within four years after the cause of action accrued. No cause of action barred under existing law on the effective date of this section shall be revived by its enactment.

APPENDIX G

SUPREME COURT OF THE UNITED STATES
OFFICE OF THE CLERK
WASHINGTON, DC 20543-0001

August 18, 1999

Mr. Jonathan Hacker
O'Melveny & Myers
555 13th Street, N.W.
Washington, DC 20004-1009

Re: Seagate Technology, Inc. v. Rodime PLC
Application No. A-157

Dear Mr. Hacker:

The application for an extension of time within which to file a petition for a writ of certiorari in the above-entitled case has been presented to the Chief Justice, who on August 18, 1999, extended the time to and including October 1, 1999.

This letter has been sent to those designated on the attached notification list.

[notification list omitted in printing]

Sincerely,

WILLIAM K. SUTER, Clerk

By /s/
Sandra Elliott Spagnolo
Assistant Clerk

No. 99-573

Supreme Court, U.S.
DEC 7 1999
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

SEAGATE TECHNOLOGY, INC.,

Petitioner,

v.

RODIME PLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

Robert A. Sacks
Thomas R. Leuba
Steven W. Thomas
Brendan P. Cullen
Joseph J. Matelis
SULLIVAN & CROMWELL

John C. Altmiller
Douglas E. Ringel
KENYON & KENYON

Of Counsel

Margaret K. Pfeiffer
Counsel of Record
SULLIVAN & CROMWELL
1701 Pennsylvania Avenue
Washington, D.C. 20006
(202) 956-7500

Attorneys for Respondent
Rodime plc

December 7, 1999

QUESTIONS PRESENTED

I. Whether the Federal Circuit was correct in applying a *de novo* standard of review to the District Court's claim interpretation where (i) Seagate urged the court to apply *de novo* review and did not press below for application of a different standard, (ii) the District Court's claim interpretation was the product of multiple errors of law, and (iii) the District Court's claim interpretation did not turn on any resolution of disputed facts, as Seagate acknowledged below.

II. Whether the Federal Circuit correctly reversed the grant of summary judgment in favor of Seagate on Rodime's state law claims, where the Court of Appeals applied well-settled legal principles to reject allegations that the state law claims were preempted by the patent laws and where it found that Rodime had adduced facts that amply support its claims for intentional interference with contract and prospective business advantage and for unfair competition.

LIST OF PARTIES AND RULE 29.6 STATEMENT

The parties to the proceedings before the United States Court of Appeals for the Federal Circuit were Rodime plc and Seagate Technology, Inc.

Respondent Rodime plc has no parent corporation. The only publicly held company that owns 10% or more of Rodime plc's stock is the Bank of Scotland.

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IN THE

Supreme Court of the United States

SEAGATE TECHNOLOGY, INC.,

Petitioner,

v.

RODIME PLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

As requested by the Court, respondent Rodime plc submits this brief in opposition to the Petition for Writ of Certiorari filed by Petitioner, Seagate Technology, Inc. ("Seagate").

INTRODUCTION

The Petition is devoid of any showing of the factors that this Court generally considers to warrant the grant of certiorari. The Federal Circuit's decision was the result of applying well-settled rules of patent claim interpretation to undisputed facts. Although Seagate argues that the Court of Appeals was required to give deference to fact-finding by the District Court in the course of interpreting the patent claims, no extrinsic evidence is relevant to construing the claims, and, in any event, the District Court made no findings on conflicting

extrinsic evidence. Furthermore, directly contrary to its argument here, Seagate *affirmatively argued* to the Federal Circuit both that it was required to review the District Court's claim construction *de novo* (Seagate 4/17/98 Appeal Br. at 11) and that the District Court had relied only on undisputed intrinsic evidence – the claim language, the patent specification and the prosecution history – to interpret the claims, (*id.* at 7, 10). Not only does this case fail to present the issue Seagate framed in its Petition (Pet. at 14), the *de novo* standard of review follows from this Court's decision in *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370 (1996) (*Markman II*), *aff'g* 52 F.3d 967, 978-79 (Fed. Cir. 1995) (*en banc*) (*Markman I*).[1/]

The Federal Circuit's holding that Rodime's state law claims raise issues of fact for the jury also presents no

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[1/] In an effort to make the issue appear cert-worthy, Seagate asserts that "the important issue of the deference owed by the Federal Circuit to findings by the district courts" is one that "has been the subject of a vigorous debate" (Pet. at 14) and that there is "a conflict among Federal Circuit judges and in the patent bar is itself" over the issue (*id.* at n.10). Seagate fails to inform the Court, however, that the so-called "conflict" among the Federal Circuit judges was ended by the very decision Seagate tries to attack in its Petition, the *en banc* decision in *Cybor Corp.* v. *FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) – which is the *sole* Federal Circuit case Seagate cites as "support" for its contention. Indeed, one of the three *Cybor* dissenters – Judge Rader – authored the decision in this case, applying the *de novo* review standard. The articles cited add little to the *Cybor* dissents. Other than *Cybor* itself, the only two cases Seagate cites are district court cases that do not address the rule announced in that case. Instead, both take issue with the rule of *Markman*, affirmed by this Court, that claim interpretation is a matter of law. *See Lucas Aerospace, Ltd.* v. *Unison Indus., L.P.*, 890 F. Supp. 329, 332 n.3, 333 n.7 (D. Del. 1995); *Elf Atochem N. Am., Inc.*, v. *Libbey-Owens-Ford Co.*, 894 F. Supp. 844, 857-58 (D. Del. 1995).

issue for review by this Court. The legal test of preemption followed by the Federal Circuit is well-settled – so much so that Seagate is simply asking this Court to reach a different result under that settled law, on the specific facts of this case, than the Court of Appeals did. In any event, the decisions of this Court compel the Federal Circuit's conclusion that Rodime's claims are not preempted by federal law. This Court repeatedly has recognized that state law tortious interference and unfair competition claims have coexisted with the patent laws for two hundred years, and that state laws protect interests – commercial relationships – separate and distinct from those protected by the patent laws.

For all these reasons, certiorari should be denied.

STATEMENT OF THE CASE

Rodime agrees with the Federal Circuit's summary of the underlying facts, and will not repeat that statement here. Although it also agrees with the Federal Circuit's summary of the proceedings in the District Court, it briefly sets out here facts necessary to give the context for the Federal Circuit's decision. *See* App. 1a-10a, 19a-20a, 22a-24a.

I. The District Court Decisions

Three District Court decisions underlie Rodime's appeal to the Federal Circuit and Seagate's Petition to this Court. In the first decision, the District Court (the late Judge Gadbois) interpreted the patent claims in issue and concluded that the "positioning means" that performs the function of moving the electromagnetic read/write heads across the surface of the disk on which data is stored in

the disk drive also included the separate function of thermal compensation – *i.e.*, of compensating for mispositioning of the heads relative to the disk.[2] As a result of this claim interpretation, Judge Gadbois granted summary judgment as to certain Seagate disk drives, but refused to grant summary judgment as to the Seagate ST157 drives because "issues of fact remain as to" infringement. App. 46a.

The second decision was that of Judge Letts, the third judge to preside over this case. App. 27a. After receiving reports from court-appointed experts, Judge Letts held a hearing, pursuant to *Markman I*, 52 F.3d at 978-79, at which the parties' technical experts and the court-appointed technical expert testified. After the *Markman* hearing, Judge Letts concluded that the "positioning means" of the claims in issue "included structure for performing thermal compensation." App. 9a. Judge Letts then concluded as a matter of law that Seagate's scheme for thermal compensation did not infringe Rodime's patent -- contrary to substantial record evidence and to the law of the case established when Judge Gadbois had ruled that issues of fact precluded summary judgment on precisely the same issue. App. 36a-38a, 46a.

In the third decision relevant here, Judge Letts granted Seagate's motion for summary judgment dismissing all of Rodime's state law causes of action – a motion that had been denied thre times previously – with no citation to the extensive factual record submitted by Rodime in opposition to Seagate's motion for summary judgment. App. 27a-30a. Judge Letts held in the alternative, and

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[2] This mispositioning is caused by the different expansion and contraction rates of a disk-drive's components in response to changes in temperature, such as when the drive warms up after being turned on. App. 2a-3a.

without analysis of, or citation to, any authority, that Rodime's state causes of action were preempted by "federal patent laws." App. 29a.

II. The Federal Circuit Decision

The Federal Circuit reversed the District Court's grant of summary judgement on both patent infringement and the state law claims, finding that the District Court applied the wrong law in interpreting the claims, that Rodime's state law claims were not preempted, and that Rodime's evidence stated a claim under California law.

A. Claim Interpretation

The Federal Circuit rejected the District Court's conclusion that the patent claims in issue included thermal compensation. As Seagate had urged the court to do in its brief on appeal, and consistent with settled precedent, the Court reviewed the legal issue of claim construction *de novo*. App. 11a.

The Court of Appeals first looked to the claims themselves, noting that the "claim element clearly associates the function of 'moving said transducer . . .' with the 'positioning means'" and that the "claim says nothing about accurate placement of a head within a track" nor "does it mention thermal compensation in any respect." App. 13a, 14a. The Court then looked to the patent specification, noting that it "underscores the function of movement amongst tracks." App. 14a.

Having concluded that the "claimed function" is "moving the transducer between tracks on the hard-disk," so that thermal compensation was not part of the claimed positioning means, App. 15a, the Court next addressed whether the claims should be interpreted as means-plus-function claims under 35 U.S.C. § 112, ¶ 6, or whether the claim "recites sufficient structure for performing the moving function to take it outside the bounds of that provision." App. 15a. This issue is, of course, entirely one of law, as Seagate has never disputed. *See Personalized Media Communications, LLC v. ITC*, 161 F.3d 696, 702 (Fed. Cir. 1998).

Once again, the Court first looked to the language of the disputed claims, concluding that the "detailed recitation of structure for performing the moving function" takes the claims outside the scope of section 112, ¶ 6. App. 15a-16a. It thus held that the District Court made two fundamental *legal* errors in interpreting the claims at issue: first, by reading them "to require the function of thermal compensation" and, second, by "using § 112, ¶ 6 to read the structure for performing thermal compensation into the claims." App. 17a.

Finally, the Court addressed Seagate's specific counter-arguments, once again emphasizing the *legal* error made by the District Court. The District Court's claim interpretation had, the Federal Circuit found, ignored the fact that Rodime expressly claimed thermal compensation in another, narrower claim, and could have done so explicitly had it "intended or desired to claim thermal compensation as a function of the positioning means in the asserted claims." App. 18a. The District

Court also confused both commercially desirable features and the function of the detailed embodiment of the "positioning means" as described in the specification, on the one hand, with the function of the "positioning means" as described in the patent claims. The Court further noted the District Court's legal error in not recognizing that a "means may perform more than one function," and that each claim "need not carry the limitations of narrower, specific claimed features." App. 18a, 19a.

Because the District Court's summary judgment of noninfringement was based on its numerous errors in applying basic principles of patent law, the Federal Circuit vacated the District Court's judgment and remanded for further proceedings.[3/]

[3/] Seagate's one-sided and argumentative Statement of the Case is replete with factual misstatements. For example, Seagate asserts that, unless a disk drive includes some form of thermal compensation mechanism, "the head will not be in the correct position, and the disk drive will be unable to read data" (Pet. at 7), and implies that it was the Court-appointed expert's opinion that a disk drive "would not function" without thermal compensation, (*id.* at 8). In fact, the Court-appointed expert admitted that a disk drive without thermal compensation can function, for example, in a temperature-controlled environment. (Appeal J.A. at A3901-02, A3906, A3972.) Seagate also claims that "[e]ach new generation of disk drives has involved a new standard size" (Pet. at 3), implying that particular form factors evolved by a form of mechanical natural selection. The factual record refutes this assertion.

B. The State Law Claims

The Federal Circuit also reversed the District Court's grant of summary judgment on Rodime's state law claims. Based on settled precedent, the Court concluded that these claims were not preempted by the patent laws. App. 20a-24a. Each of Rodime's state law causes of action contained additional elements not found in any federal patent law cause of action and none of those claims involved patent-like protection of subject matter addressed by federal law. The Court had little difficulty concluding that material disputed issues of fact existed as to whether Seagate's misconduct, including its efforts to induce others not to enter into license agreements with Rodime and its knowingly false statements to a government agency, subjected it to liability under California law. App. 6a-7a, 22a-23a.

Seagate filed a Petition for Rehearing and Suggestion for Rehearing En Banc to the Federal Circuit, which were, respectively, denied and declined without dissent.

ARGUMENT

I. Contrary to Seagate's Contention, this Case Does Not Present Any Issue Regarding the Standard of Review for Factual Determinations By District Courts, on Conflicting Evidence, of Technical Issues Relating to Patent Claim Interpretation.

A. Because Seagate Asked the Federal Circuit to Review the District Court's Claim Interpretation *De Novo*, the Issue Was Not Raised or Passed Upon Below.

For the first time, in its Petition, Seagate challenges the application of *de novo* review. Its assertion that this Court should grant certiorari to correct the Federal Circuit's alleged error in reviewing the District Court's patent claim interpretation *de novo* is directly contradicted by the position it took before the Federal Circuit, where Seagate *urged* the court to apply a *de novo* standard of review. (Seagate 4/17/98 Appeal Br. at 11; Pet. for Reh'g at 1.) As a result, the Federal Circuit never addressed the issue or the arguments Seagate now raises in its Petition.[4/]

Seagate's contention that the Federal Circuit was required to give "deference" to the District Court's claim

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[4/] Not only did Seagate concede the correctness of *de novo* review in the Federal Circuit, its petition for rehearing in that Court raised an entirely different issue – one it has not bothered to raise in this Court. (Pet. for Reh'g at 2-6.)

interpretation was not "pressed or passed upon below." *United States* v. *Williams*, 504 U.S. 36, 41 (1992). Under this Court's "traditional rule," the grant of certiorari is precluded in such cases. *Id.*; *see also id.* at 58 n.3 (collecting cases); *Pennsylvania Dep't of Corrections* v. *Yeskey*, 118 S. Ct. 1952, 1956 (1998); *Adickes* v. *S. H. Kress & Co.*, 398 U.S. 144, 147 n.2 (1970).

B. The Federal Circuit Reversed the District Court's Claim Interpretation Solely Because It Was the Product of Multiple Errors of Law.

Seagate misstates the Federal Circuit's opinion when it asserts that the Court's "only justification" for its decision "was its own *en banc* decision in *Cybor* [*Corp.* v. *FAS Techs., Inc.*, 138 F. 3d 1448 (Fed. Cir. 1998)]," which allegedly "adopted the 'no deference' rule" with respect to district courts' factual determinations relating to claim interpretation. (Pet. at 21.) The Federal Circuit reversed the District Court's claim interpretation not because of any factual findings, but *solely* because that interpretation was the product of the District Court's multiple errors of law.

As Seagate admits, the District Court held that the "positioning means" limitation of the claims in issue had to be interpreted to include a separate function – that of "thermal compensation" – not because it is anywhere mentioned in the claims, but because "[w]ithout thermal compensation, the disk drive system would not be able to read data recorded previously at a different temperature." (Pet. at 10 (quoting App. 33a).) This holding violated a

number of long-settled rules of claim interpretation. For example, it violated the rule against importing the functions of a working commercial device into the claims, thereby reading "unnecessary functional limitations into the claim." *Transmatic, Inc.* v. *Gulton Indus., Inc.*, 53 F. 3d 1270, 1278 (Fed. Cir. 1995); App. 14a. It is black-letter law that a patent claim "need not claim every function of a working device." App. 14a; *see also, e.g., Stiftung* v. *Renishaw PLC*, 945 F.2d 1173, 1180-81 (Fed. Cir. 1991). Rather, it is perfectly permissible to claim only "improvements in one function without claiming the entire machine with its many functions." App. 14a; *see also, e.g., Chiuminatta Concrete Concepts, Inc.* v. *Cardinal Indus., Inc.*, 145 F.3d 1303, 1308-09 (Fed. Cir. 1998). "Based on these principles," the Federal Circuit correctly held that "the district court's strained interpretation" was wrong as a matter of law. App. 14a. What Seagate tries to characterize as "technical evidence" or "factual issues" were simply *irrelevant* to claim interpretation under the proper legal standards.

C. The District Court Did Not Engage in Any Fact-Finding.

Seagate is also wrong in contending – again for the first time – that the District Court resolved disputed factual issues in coming to its erroneous claim interpretation.[5/] As the basis for its conclusion that

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[5/] In its brief to the Federal Circuit, Seagate argued that the (continued...)

thermal compensation had to be read into the claims, the District Court cited "Judge Gadbois, [the] Special Master, and court-appointed expert Professor Bogy." App. 32a. In adopting the Special Master's recommendation that the claims in issue should be construed to include thermal compensation, Judge Gadbois expressly noted that the Special Master's decision was based on "the patent specification and file history," that is, "the *undisputed public record*," and that "[c]laim interpretation is a question of law" – not on any factual determination. App. 44a-45a (emphasis added). Furthermore, both Judge Gadbois and the Special Master were interpreting the claims in the context of summary judgment where, as Judge Gadbois acknowledged, factual disputes cannot be resolved. App. 48a. *See also* Fed. R. Civ. P. 56. Seagate concedes – indeed affirmatively espouses – that Judge Gadbois and the Special Master were correct.

Judge Letts stated that his reliance on Professor Bogy, the Court-appointed expert, was upon his conclusion that the "moving" function of the claimed positioning means required thermal compensation, which was in turn based upon the conclusion that "[w]ithout thermal

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[2](...continued)
District Court should be affirmed because its claim interpretation "was compelled by the claims, the specification, and the prosecution history" of the patent, (Seagate 4/17/98 Appeal Br. at 7), and further argued that the Court-appointed expert and the District Court "based their conclusions on the *intrinsic evidence*, including the claims, the '383 patent, and its prosecution history," (*id.* at 10 (emphasis added)). Thus Seagate admitted that the District Court did not rely on any disputed facts to interpret the claims.

compensation, the disk drive system would not be able to read data recorded previously at a different temperature." App. 33a.

Even if that observation were legally relevant, which it is not, there was *no* dispute among the experts at the *Markman* hearing on this point, and thus there was no "conflicting evidence" as Seagate claims. (Pet. at 14.) Rodime's expert agreed with Dr. Bogy's testimony on this point.

> Q. Now, you heard Dr. Bogy's testimony about operating at one temperature; do you agree with that testimony?
> A. I do. I can operate, read and write at some fixed temperature.
> Q. And in terms of -- in the case of warming up, what would happen there, could you write – if you didn't have thermal compensation, could you write something before it was warmed up, and then read it when it was warmed up?
> A. No. If I chose to read and write in the same place, I would want to wait until warmup occurred in order to read and write.
>
> . . . .
>
> Q. You'd always have to warmup first.
> A. – I'd have to warmup first . . . .

(Appeal J.A. at A3972, A3974.)

Thus, in accepting Dr. Bogy's opinion on this issue, the District Court did not resolve any "conflicting evidence" or disputed facts, as Seagate admitted before the Federal Circuit. (Seagate 4/17/98 Appeal Br. at 1, 10.) The only dispute was over the *legal* implications of the *undisputed* facts. On this issue, the Federal Circuit agreed with Rodime and, as noted above, correctly concluded that the District Court misapplied settled principles of patent law in reaching its erroneous claim interpretation.

Finally, the District Court clearly understood that claim interpretation is a question of law for it to decide, and that it was not resolving any disputes of material fact, for it granted summary judgment in favor of Seagate. App. 36a. It is well settled that courts of appeal review the grant of summary judgment *de novo*. *Eastman Kodak v. Image Tech. Servs.*, 504 U.S. 451, 466 n.10 (1992). Indeed, Seagate does not dispute this rule of law, which is dispositive of its argument. There being no fact-finding by the District Court, no other standard of review could have been properly applied.

D. The Federal Circuit Applied the Correct Standard of Review.

A final reason for denying Seagate's Petition is that, under this Court's decision in *Markman II*, the Federal Circuit clearly applied the correct standard of review. In *Markman I*, the Federal Circuit held that "claim construction is a matter of law," and that "the construction given the claims is reviewed *de novo* on appeal." 52 F.3d at 979. This Court, in *Markman II*, unanimously affirmed

Markman I, holding that "the construction of a patent, *including terms of art within its claim*, is exclusively within the province of the court." 517 U.S. at 372 (emphasis added); *see also Cybor Corp.*, 138 F.3d at 1455 (The Supreme Court in *Markman II* "held that the totality of claim construction is a legal question to be decided by the judge"). Although the precise issue of the standard of review was not before this Court, the rationale of *Markman II* – that "matters of claim interpretation, even those aided by expert testimony," are "purely" questions of law for the court, 517 U.S. at 387, 391 – inescapably leads to the conclusion that claim interpretation, like all questions of law, is to be reviewed *de novo* by the courts of appeal. *See Salve Regina College* v. *Russell*, 499 U.S. 225, 231-35 (1991); *see also Pullman-Standard* v. *Swint*, 456 U.S. 273, 287-90 (1982); *Cybor*, 138 F.3d at 1455-56; *id.* at 1462 (Plager, J., concurring) ("The Supreme Court agreed with our view" that "the construction given the claims is reviewed *de novo* on appeal.")

Indeed, this Court in *Markman II* framed the issue before it as "'whether the interpretation of a so-called patent claim . . . is a matter of law reserved entirely for the court, or subject to a Seventh Amendment guarantee that a jury will determine the meaning of *any disputed term of art about which expert testimony is offered.*" 517 U.S. at 372 (emphasis added). By setting up this law/fact dichotomy, this Court's holding that claim interpretation is "exclusively within the province of the court," 517 U.S. at 372, implicitly rejected the view espoused by Seagate here, *i.e.*, that claim interpretation involves fact-finding in cases where the court hears expert testimony on disputed

claim terms (Pet. at 14);[6] otherwise, this Court would have concluded that claim interpretation was a jury question.

This Court also explicitly analyzed the role of expert testimony in claim construction, acknowledging that credibility judgments may be entailed, but concluding that "any credibility determinations will be *subsumed* within the necessarily sophisticated analysis of the whole document, required by the standard construction rule that a term can be defined only in a way that comports with the instrument as a whole." *Id.* at 389 (emphasis added). That analysis, this Court held, is a question of law. *Id.* at 390.[7]

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[6] This Court also cited with approval to a leading treatise for the proposition "that matters of claim construction, *even those aided by expert testimony*, are *questions for the court*." 517 U.S. at 387 (emphasis added) (citing A. Walker, *Patent Laws* § 189, at 173 (3d ed. 1895)); *see also id.* at 388 ("Where technical terms are used [to construe a patent claim] . . . the testimony of witnesses may be received upon these subjects . . .. *But in the actual interpretation of the patent the court proceeds upon its own responsibility, as an arbiter of the law, giving to the patent its true and final character and force.*") (quoting 2 W. Robinson, *Law of Patents* § 732, at 481-83 (1890)).

[7] Seagate's argument that, because patent claims are to be construed in light of "the knowledge possessed by one skilled in the art," claim interpretation may require resolution of disputed "evidence" and thus is not subject to *de novo* review (Pet. at 15-16), is foreclosed by *Markman I* and *Markman II*, where the plaintiff made this very argument. The plaintiff in *Markman* pointed to expert testimony regarding the meaning of the claim to one skilled in the art and to disputes over the meaning of a claim term in arguing that the

(continued...)

By treating claim construction as a purely legal issue, regardless of whether extrinsic evidence is taken into account by the District Court, *Markman II* requires the standard of review that applies to all District Court legal determinations – the *de novo* standard applied by the Federal Circuit in this case (and urged by Seagate itself below).

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[7]/(...continued)
jury's claim interpretation was improperly set aside when the District Court ruled *de novo* on the defendant's motion for judgment as a matter of law. 52 F.3d at 979, 983. The Federal Circuit upheld the District Court's action, and this Court affirmed in *Markman II*, expressly holding that "the construction of a patent, *including terms of art within its claim*, is *exclusively* within the province of the court." 517 U.S. at 372 (emphasis added). Having upheld *de novo* review of the jury's claim interpretation – which was based upon disputed expert testimony – there is no principled basis to afford a more deferential standard of review to a District Court's claim interpretation. To the contrary, courts generally defer more to a jury than to judicial fact-finding. *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948). Furthermore, this Court acknowledged in *Markman II* that claim construction may not be a "pristine" issue of law, but nonetheless held that, "judges, not juries, are the better suited to find the acquired meaning of patent terms." 517 U.S. at 388. Thus, there is no basis to apply a standard of review different from that which governs all District Court determinations of law – the *de novo* standard.

II. Federal Patent Law Does Not Preempt the State Law Torts of Tortious Interference or Unfair Competition

Seagate asks this Court to grant certiorari to second guess the Federal Circuit's application of settled preemption analysis to state law tort claims. Seagate seeks a rule that would prohibit state protection of commercial relationships and consumers against deceptive business conduct if the victim's patent is later found to have some, but not all, invalid claims. This result is unsupported by the policies preemption law is intended to further, as well as by patent law.[8]

A fundamental flaw of Seagate's argument is that the issue it poses assumes an invalid patent, (Pet. at 25), yet the claims in issue have never been found invalid; they have, indeed survived repeated attempts by Seagate to have them found invalid. Thus, like the first issue Seagate raises, this one is simply not presented by this case.

Moreover, Seagate does not point to any split of authority among the circuits, or even within the Federal Circuit, or with any flawed legal policy. All Seagate

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[8] Seagate suggests that invalidation of some claims infects the whole patent. This is not the case; the validity of each claim is independent of the validity of other claims. *See* 35 U.S.C. § 282; *Shelcore, Inc.* v. *Durham Indus. Inc.*, 745 F.2d 621, 625 (Fed. Cir. 1984). Only one claim need be infringed to create liability for patent infringement.

complains about is the result of applying indisputable preemption principles to the specific facts of this case.

In *Dow Chemical Co.* v. *Exxon Corp.*, 139 F.3d 1470, 1473-76 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 1026 (1999), the Federal Circuit conducted a careful review of this Court's preemption jurisprudence and confirmed the preemption rule applied in this case: a state law tort claim is not preempted if it (i) includes additional elements not found in the federal patent law cause of action and (ii) is not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law. App. 20a.

Seagate does not seek this Court's review of that rule. Seagate also does not challenge the "extra element" prong of the test, nor could it. Despite noting that the Federal Circuit formerly applied the regional circuit's law of preemption analysis, Seagate points to no split in authority on this issue or even criticism of the test. Similarly, although Seagate implies that the Federal Circuit did not apply the correct "patent-like" protection prong below because it did not cite *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), in its opinion (Pet. at 28), Seagate ignores the fact that the Federal Circuit cited *Dow Chemical*'s detailed and accurate discussion of this Court's preemption jurisprudence, including *Bonito Boats*. *See* App. 20a; *Dow Chemical*, 139 F.3d at 1474-75.

Accordingly, Seagate's complaint is at most about an error on the part of the Federal Circuit in applying settled law. This Court does not sit to correct mere error.

In any event, there is no error to correct. First, this Court has already recognized that the state law claims at issue generally are not preempted by the patent laws. Rodime seeks to recover for Seagate's interference with its contractual relations and prospective business advantage. Such "[c]ommercial agreements traditionally are the domain of state law." *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979); *see also id.* ("State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable . . . ."). Thus, in *Aronson,* this Court held that even though the licensor's patent application was rejected, the enforcement of license agreements on intellectual property under state contract law was not preempted regardless of whether that intellectual property consisted of patentable subject matter. *See id.*

Similarly, state law may protect Rodime's actual and prospective license agreements even if all the claims of the patent were to be held invalid. *See Koratron Co.* v. *Deering Milliken, Inc.*, 418 F.2d 1314, 1318 (9th Cir. 1969) (holding that claim for interference with prospective economic advantage does not arise under and is not preempted by the patent laws). That question is not even presented in this case, however, because the disputed claims of Rodime's '383 patent are not invalid.

This Court also has recognized that "the law of unfair competition . . . [has] coexisted harmoniously with federal patent protection for almost 200 years, and Congress has given no indication that their operation is inconsistent with the operation of the federal patent laws." *Bonito Boats*, 489 U.S. at 166; *see also Mars Inc.* v. *Kabushiki-*

Kaisha Nippon Conlux, 24 F.3d 1368, 1373 (Fed. Cir. 1994) (holding that unfair competition and patent law "have long existed as distinct and independent bodies of law, each with different origins and each protecting different rights"). In fact, "there are affirmative indications from Congress that . . . the law of unfair competition . . . [is] consistent with the balance struck by the patent laws." 489 U.S. at 166.

Second, application of this Court's three-factor test to determine whether the state law offers "patent-like protection" such that it is an "obstacle" to the execution and accomplishment of the patent laws confirms that there is no preemption here.[9/] The three factors (or three purposes of the federal patent system) are the providing of the incentive to invent, the encouragement of the full disclosure of ideas, and the principle that ideas in the public domain remain in the public domain. *See, e.g.*, *Aronson*, 440 U.S. at 262. None of these three factors is adversely impacted by the state law claims at issue here.

Well-settled principles of patent law promote the enforcement of patent licenses. Payments received under a license agreement prior to the licensee's challenging the validity of the patent are not recoverable by the licensee (absent fraud) if the patent is subsequently found

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[9/] This test was first set forth in *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 480-81 (1974), and relied upon again in *Aronson*, 440 U.S. at 262, and *Bonito Boats*, 489 U.S. at 151-52, 155. The Federal Circuit, adopting the terminology used by this Court, refers to these factors as "patent-like protection." App. 20a; *Dow Chemical*, 139 F.3d at 1475. *See also Bonito Boats*, 489 U.S. at 152, 156, 168.

invalid.[10/] Moreover, a third-party licensee may not rely upon another licensee's challenge to the patent's validity. *Cordis Corp.* v. *Medtronic, Inc.*, 780 F.2d 991, 996 (Fed. Cir. 1985). Thus, under recognized patent law, Rodime could and would have received license payments but for Seagate's wrongful interference for which Rodime may seek damages, regardless of whether its patents later prove to be valid and/or infringed.

Enforcing this expectancy is consistent with and presents no obstacle to realization of the three factors. First, enforcing licensing agreements provides an additional incentive for invention. *See Aronson*, 440 U.S. at 263. If a patent holder's royalty revenue were under the "continuous cloud" of possible disgorgement, it would lessen the financial advantages of the patent and deter

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[10/] *See, e.g., Studiengesellschaft Kohle, M.B.H.* v. *Shell Oil Co.*, 112 F.3d 1561, 1567-68 (Fed. Cir. 1997); *Transitron Elec. Corp.* v. *Hughes Aircraft Co.*, 649 F.2d 871, 874 (1st Cir. 1981) (collecting cases and noting the Court of Appeals' agreement on this issue); *St. Regis Paper Co.* v. *Royal Indus.*, 552 F.2d 309, 312-14 (9th Cir. 1977); *Troxel Mfg. Co.* v. *Schwinn Bicycle Co.*, 465 F.2d 1253, 1257-60 (6th Cir. 1972); 6 Donald S. Chisum, *Chisum on Patents* § 19.03[6][h], at 19-275 to 19-276 (1998); *see also Concrete Unlimited* v. *Cementcraft, Inc.*, 776 F.2d 1537, 1539 (Fed. Cir. 1985) (holding that patent-holder had the right to enforce its patent until the patent was found invalid and that such enforcement did not constitute unfair competition); *Rite-Nail Packaging Corp.* v. *Berryfast, Inc.*, 706 F.2d 933, 936 (9th Cir. 1983) (holding that a licensee must continue to pay royalties even if it believes that the patent is invalid until the licensee takes "'affirmative step that would prompt the early adjudication of the validity of the patent'") (quoting *Bristol Locknut Co.* v. *SPS Techs.*, 677 F.2d 1277, 1283 (9th Cir. 1982)).

invention. *See Troxel*, 465 F.2d at 1257-58. Second, failure to enforce licensing agreements prior to a challenge to the patent's validity by the licensee "would deter inventors from resorting to the patent system in the first instance," thereby frustrating the policy of the full disclosure of ideas. *Troxel*, 465 F.2d at 1258 (noting that inventors may decide to protect invention as a trade secret or be deterred from inver'ing at all). Finally, any other rule would defeat the policy of encouraging an early adjudication of the invalidity of patents, thereby frustrating the principle that ideas in the public domain remain in the public domain. *See Troxel*, 465 F.2d at 1257; *see also Studiengesellschaft*, 112 F.3d at 1568; *Transitron Elec.*, 649 F.2d at 874; *Lear, Inc.* v. *Adkins*, 395 U.S. 653, 673-74 (1969). As Professor Chisum succinctly states: "Allowing recovery of pre-challenge royalties would give licensees an incentive to delay validity challenges and would tend to discourage inventors from obtaining patents or from granting licenses." Chisum, *supra*, § 19.03[6][h], at 19-275 to 19-276. Rodime therefore can recover contract damages for this lost expectancy, completely consistent with the patent laws.

Accordingly, this Court recognized in *Bonito Boats* that there is no preemption where, as here, the state law claims "operate[] to protect non-economic interests outside the sphere of congressional concern in the patent laws." 489 U.S. at 155. California's unfair competition law and prohibition against interference with actual and potential contractual relations act to protect commercial relationships and consumers, which are wholly different from the interests protected by the patent laws. *See, e.g.*,

Bonito Boats, 489 U.S. at 157 (unfair competition law's "focus is on the protection of consumers"); *Dow Chem.*, 139 F.3d at 1477 (state law interference claims protect "its citizens and residents in their contractual relations from acts of wrongful interference inside its borders by any party, including a patentee," such protection "is primarily the concern of state law" and "[a]ny award of damages, then, would be based on local conduct that the state has a right to regulate"). In finding no preemption below, the Federal Circuit specifically held that this was the case here. App. 21a ("[T]his court finds that these state law causes of action do not constitute an impermissible attempt to offer patent-like protection to subject matter addressed by federal law. Tortious interference protects business relationships. Unfair competition prevents unethical and oppressive business practices.")[11/]

Finally, Seagate does not dispute that the state law claims contain extra elements different from the causes of action of patent infringement or inducement to infringe.[12/] Indeed, Seagate concedes that "[n]one of

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[11/] Contrary to Seagate's assertion (Pet. at 25), Rodime's state law claims seek a remedy for interference with Rodime's contract expectations, not for Seagate's patent infringement; the wrong done and the measure of damages are wholly different from the claim of patent infringement. *See Summit Mach. Tool Mfg. Corp.* v. *Victor CNC Sys., Inc.*, 7 F.3d 1434, 1440 (9th Cir. 1993).

[12/] Although Seagate states that the Federal Circuit "analogized Rodime's [state law] claim to a claim of inducement to infringe" (Pet. at 13), in fact the Court simply responded to Seagate's argument that

(continued...)

Rodime's state law claims depends in any way on Rodime's proving that its patent was valid or infringed." (Pet. at 25.) Where the state law claims and the federal claims are so independent, it is difficult to understand how preemption could occur.

Seagate's only argument is that the extra element is not "extra enough" in this case. Seagate relies upon the Court's distinction of an "unscrupulousness" requirement in a very different state law prohibiting copying in *Bonito Boats*. The "wrongfulness" requirement for interference claims under California law is *not* a "conclusory label" like "'unscrupulous,'" *Bonito Boats*, 489 U.S. at 164, but rather a substantive requirement adopted by the California Supreme Court after careful consideration of the policies protecting commercial relationships and competition under California law. *See Della Penna* v. *Toyota Motor Sales, U.S.A., Inc.*, 902 P.2d 740, 747-751 (Cal. 1995). Seagate itself argued strenuously below that this element was both proper and material. (Seagate 4/17/98 Appeal Br. at 37-38.) Similarly, section 17200 is California's codification of unfair competition law designed to protect consumers from "unlawful, unfair, or fraudulent business act[s]." Cal. Bus. & Prof. Code § 17200. Policy judgments regarding protection from unlawful and fraudulent business practices and of commercial relationships clearly are judgments the states are free to make. *Cf. Bonito Boats*, 489 U.S. at 164.

[12/](...continued)
the state law claims "implicate the patent law cause of action of inducement to infringe." App. 21a.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

Robert A. Sacks
Thomas R. Leuba
Steven W. Thomas
Brendan P. Cullen
Joseph J. Matelis
SULLIVAN & CROMWELL

John C. Altmiller
Douglas E. Ringel
KENYON & KENYON

Of Counsel

Margaret K. Pfeiffer
Counsel of Record
SULLIVAN & CROMWELL
1701 Pennsylvania Avenue
Washington, D.C. 20006
(202) 956-7500

Attorneys for Respondent
Rodime plc

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No. 99-573

IN THE

Supreme Court of the United States

SEAGATE TECHNOLOGY, INC.,

Petitioner,

v.

RODIME PLC,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF OF PETITIONER

KARL A. LIMBACH
GERALD T. SEKIMURA
STEPHEN M. EVERETT
MARIA S. CEFALU
LIMBACH & LIMBACH, L.L.P.
2001 Ferry Building
San Francisco, CA 94111
(415) 433-4150

JOHN F. DAUM
Counsel of Record
RODERICK G. DORMAN
CRYSTAL NIX
JONATHAN D. HACKER
O'MELVENY & MYERS LLP
400 South Hope Street
15th Floor
Los Angeles, CA 90071
(213) 430-6000

Attorneys for Petitioner

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REPLY BRIEF OF PETITIONER

In its opening brief, petitioner raised two important legal issues for review by this Court. The first is whether the Federal Circuit should review without deference a district court's factual findings on matters extrinsic to the patent documents that are foundational to the district court's legal interpretation of a patent claim. This question was not resolved by this Court's decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), which held only that claim construction is an issue for the judge. *See* Pet. at 14, 18-24. The second issue is whether state law may impose liability for acts allegedly intended to induce infringement of a patent where federal patent law would not impose such liability. Rodime's opposition to the petition offers nothing to refute the need for review by this Court on these questions.

I. THE QUESTION WHETHER DEFERENCE IS OWED TO A TRIAL COURT'S FACTUAL DETERMINATIONS UNDERLYING ITS PATENT CONSTRUCTION IS PROPERLY PRESENTED AND WARRANTS REVIEW.

1 Rodime's principal argument for denying review of the question whether the Federal Circuit should defer to district court factual determinations made in the course of claim construction is that this question was not "pressed or passed upon below," and that Seagate conceded the issue by urging "the court to apply a *de novo* standard of review." Opp. at 9-10. These contentions are meritless.

First, no concession occurred. It is settled within the Federal Circuit that a trial court's interpretation of a patent claim is reviewed *de novo*. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996). By citing *Markman* as the relevant standard for claim construction, Petitioner did not concede that factual determinations based upon evidence extrinsic to the patent documents (the patent and its file history), that are foundational to a court's legal interpretation of the scope of a patent claim, are to be reviewed without deference.

Second, the standard of review issue did not ripen into an appealable issue until the Federal Circuit had ruled in this case. The court of appeals panel raised an issue *sua sponte* that Rodime had conceded below, and, in doing so, the panel wholly ignored the trial court's findings concerning what one of ordinary skill in the art of hard disk drive computer storage devices would understand the phrase "positioning means for moving" to mean.

When that ruling was issued, Petitioner specifically challenged the panel's failure to give deference to the factual determinations of the trial court based upon expert testimony received during the *Markman* hearing in its Petition for Rehearing and Suggestion For Rehearing *En Banc* ("Pet. For Reh'g"):

> Under the banner of *de novo* review, the Court has overturned the careful analyses and evaluations by Special Master Ward, Court Appointed experts Profs. Janicke and Bogy, and District Judges Gadbois and Letts, as well as a concession by Rodime, relying instead upon a record, briefing and argument not intended to address the threshold § 112 ¶ 6 issue. . . .
>
> . . . .
>
> This is exactly the situation recognized by many of the members of this Court in the various concurrences in *Cybor . . . as one where deference should be given to the proceedings below because of the technical nature of the issue and the substantial time devoted to it below.*

Pet. for Reh'g at 5-6 (emphasis added).

Seagate's express challenge to the panel's nondeference approach in the Petition For Rehearing and Suggestion For Rehearing *En Banc* adequately preserves the issue for review by this Court. *See Richards v. Jefferson County*, 517 U.S. 793, 797 n.3 (1996) ("Because petitioners raised their due process challenge to the application of res judicata in their *application for rehearing* to the Alabama Supreme Court, that federal issue has been preserved for our review.") (emphasis added); *City of Houston v. Hill*, 482 U.S. 451, 467 n.16 (1987) (city's failure to raise abstention issue until after it had lost on the merits before the court of appeals did not bar Supreme Court from considering the issue).

Finally, review by this Court is not precluded even if Seagate could have raised the issue before the panel and did not do so prior to the *en banc* petition. The question presented falls well within the category of "exceptional cases" in which the Court declines to "limit [its] power to decide important questions not raised by the parties . . . particularly in cases arising in the federal courts." *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 320 n.6

(1971). Indeed, in numerous instances, this Court has considered issues not squarely presented in the courts below. For instance, in *Carlson v. Green*, 446 U.S. 14 (1980), the Court decided a question presented in a petition for certiorari that had not been raised in the lower courts where, as here, the issue was squarely presented in the petition, was important and recurring, and "the interests of judicial administration will be served by addressing the issue on its merits." *Id.* at 17 n.2. *See also Vance v. Terrazas*, 444 U.S. 252, 259 n.5 (1980) ("consideration of issues not present in the jurisdictional statement or petition for certiorari and not presented in the Court of Appeals is not beyond our power, and in appropriate circumstances we have addressed them") (citing cases); *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 696 (1984) ("Although we do not ordinarily consider questions not specifically passed upon by the lower court . . . this rule is not inflexible, particularly in cases coming, as this one does, from the federal courts."); *Virginia Bankshares, Inc. v. Sandberg*, 501 U.S. 1083, 1098 (1991) (Court will consider issue not raised by the parties below); *Lebron v. National R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995) (same).

In *Standard Industries v. Tigrett Industries, Inc.*, 397 U.S. 586 (1970) (per curiam), Justice Black's dissent noted the three factors the Court historically has considered in deciding whether to review arguments not presented below: "first, whether there has been a material change in the law; second, whether assertion of the issue earlier would have been futile; and third, whether an important public interest is served by allowing consideration of the issue." *Id.* at 588 (Black, J., dissenting) (citing cases). Those elements are clearly satisfied here.

During the appellate panel's review of Rodime's appeal, the *en banc* Federal Circuit decided *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998). *Cybor* conclusively resolved a debate within the Circuit in conflicting panel opinions, holding that henceforth, "we review claim construction *de novo* on appeal *including any allegedly*

fact-based questions relating to claim construction." *Id.* at 1456 (emphasis added). "Accordingly," the *en banc* court continued, "we today disavow any language in previous opinions of this court that holds, purports to hold, states, or suggests anything to the contrary . . ." *Id.*

The language of *Cybor* was definitive in prescribing the legal standard the Federal Circuit would apply to factual conclusions underlying a district court's patent claim construction and clearly constitutes a material change in the law. In light of that *en banc* decision, it would have been futile for Seagate to have asked the appellate panel to overrule this precedent. Once the *en banc* court has ruled, that opinion has binding, authoritative force unless and until this Court rules otherwise. *See Texas Instruments v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1567 (Fed. Cir. 1996).

Review of the mandatory non-deference rule announced in *Cybor* and applied here also is clearly in the public interest. Because the Federal Circuit hears all patent appeals, the question presented will be a recurring one that will affect the rights of all trial litigants.

In addition, the traditional rationales for declining review are not implicated here; this is *not* a situation in which the Court is deprived of the benefit of the lower court's opinion on the issue. The appellate panel explicitly stated that it would give no deference to the district court's factual findings, *see* Pet. App. at 11a, and, in light of *Cybor*, there was nothing more the panel could have said that would inform the Court's deliberations as to whether *Cybor* is a correct statement of the law. *See Lebron*, 513 U.S. at 379 ("Our practice 'permit[s] review of an issue not pressed so long as it has been passed upon . . . .'"); *Virginia Bankshares*, 501 U.S. at 1098 n.8 ("It suffices for our purpose that the court below passed on the issue presented . . . particularly where the issue is . . . one of importance to the administration of federal law.") (citations omitted).

2. Rodime's second argument for denial of certiorari is nothing more than an argument on the merits that the court of appeals panel, applying nondeferential review of the district court's factual findings, arrived at the correct interpretation of Rodime's patent claim. This contention entirely misses the point. At issue is whether the factual findings underlying the district court's interpretation are entitled to deference, not whether the appellate panel, applying a nondeferential review standard, happened to arrive at the "correct" interpretation of the patent claim.

In any event, Rodime wrongly asserts that the Federal Circuit's ruling was correct. Rodime contends that the panel correctly rejected the district court's claim interpretation because the trial court "violated the [legal] rule against importing the functions of a working commercial device into the claims, thereby reading 'unnecessary functional limitations into the claim.'" Opp. at 11 (quoting Pet. App. at 14a). But the trial court did *not* import the functions of a working commercial device into the claims; it construed the claim language "positioning means for moving" to mean *means for moving into position* rather than simply "means for moving" between tracks as construed *de novo* by the Federal Circuit.[1] The Federal Circuit's construction completely reads out of existence the word "positioning" in its claim construction. That construction thus ignored what one of ordinary skill in the art would understand that claim language to have meant, which the trial court realized after conducting a factual review. Ironically, the appellate panel likely would not have

[1] For instance, Judge Letts' *Markman* determination made clear that he was interpreting the "moving" language "in the context of the disputed claims," Pet. App. at 33a-34a, and in the context of what "is required of a *computer disk drive system*," *id.* at 33a (emphasis added). The words "computer disk drive system" come from the preamble of the claims, *e.g.*, "3. A computer disk drive system. . . ." Thus, Judge Letts did not reach out to commercial devices.

made the error it did had it given deference to the trial court's factual determinations.

3. Rodime further attempts to obscure the importance of the legal question raised in Seagate's petition by arguing that the district court did not actually make any "factual findings" at all.[2] Rodime ignores the fundamental disagreements between the experts — which were resolved by the trial court — over the meaning of terms in the claim to one skilled in the art.[3] In any case, Rodime's opposition brief admits that the trial court relied on extrinsic evidence in the form of expert testimony. Opp. at 12-13.

4. Finally, Rodime spends considerable time rehashing the merits of the question presented, but its argument amounts to nothing more than the repeated assertion that *all* aspects of claim interpretation should be reviewed *de novo* under *Markman*. *See* Opp. at 14-17. However, as explained in the Petition, simply because *Markman* held that claim construction is an issue for the judge does not mean that the factual determinations underpinning that judge's ultimate legal construction of a claim must necessarily be subjected to *de novo* review as well. Numerous examples are cited in the Petition of questions of law that receive deferential appellate review of underlying factual determinations, *see* Pet. at 23-24, and Rodime offers no response to these examples.

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[2] The lack of formal "findings of fact" at the trial court level merely reflects the custom and practice of trial courts, when conducting *Markman* hearings, not to prepare formal "findings of fact and conclusions of law;" it does not in any way support Rodime's contentions that no factual determinations were made by the trial court concerning what one of ordinary skill in the art would know and understand technical terms to mean.

[3] *Compare* Appeal J.A. at A3971-72, A3984-85, A3998-99, A4011-12 (Dr. Kline expressing disagreement with Dr. Bogy's positions regarding the meaning of "moving") *with* Pet. App. at 33a-34a (Judge Letts adopting Dr. Bogy's interpretation).

There is yet another, closer example in this context: even though a claim of inequitable conduct before the Patent and Trademark Office is a matter for the court and not a jury to resolve, factual determinations underlying a judicial finding of inequitable conduct – the existence of misrepresentation, materiality and intent to deceive, for instance -- receive deferential appellate review under Fed. R. Civ. P. 52(a), which mandates that the trial court's findings "shall not be set aside unless clearly erroneous." *See, e.g., Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995); *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988).

Even the case on which Rodime principally relies – *Markman* – provides no support for Rodime's contention that all aspects of claim interpretation should necessarily be reviewed *de novo*. In *Markman*, the Court recognized that where there are disputes among experts relevant to patent claim construction, trial courts are well-equipped to resolve those disputes so as to "preserve the patent's internal coherence." 517 U.S. at 389. As in other areas of the law, those factual determinations should be granted deference.

II. THE DECISION BELOW VIOLATES SETTLED PATENT PREEMPTION PRINCIPLES.

The second question presented does not simply seek to correct a "mere error" on the part of the Federal Circuit in "applying indisputable preemption principles to the specific facts of this case." Opp. at 18-19. Rather, Seagate asks this Court to determine whether the two-part preemption test first established in *Dow Chemical Co. v. Exxon Corp.*, 139 F.3d 1470, 1473-76 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 1026 (1999), and applied in this case, impermissibly threatens the patent policies embodied in federal law. Since the Federal Circuit no longer applies regional circuit law to patent preemption decisions and is now the exclusive arbiter of patent preemption issues, *see* Pet. at 17 n.11, review of its ruling permitting states to regulate and punish conduct that is not

only allowed, but even encouraged by the federal patent laws, is particularly warranted.

1. Rodime first asserts that the preemption problem identified in the Petition is not at issue because "the [Rodime patent] claims in issue have never been found invalid." Opp. at 18. That assertion is wrong. Rodime's state law claims are based on Seagate's alleged efforts to induce others not to license Rodime's patents, where the majority of the claims have been ruled invalid by the Federal Circuit in the *Quantum* litigation. *See* Pet. at 4-5, 11. Yet, the Federal Circuit in this case, applying the two-part *Dow Chemical* test, wholly failed to address the legal consequences of that prior invalidity ruling on Rodime's state law tort theories. By ignoring the fact that the majority of the patent claims had been declared invalid, the Federal Circuit allowed Rodime to seek recovery of damages under a state law tort theory for conduct protected – indeed even encouraged – by the federal patent laws – namely, resisting "would-be monopolists" who assert invalid patent claims. Pet. at 24-25 (quoting cases).

2. Even if Rodime's tort claims were limited to Seagate's alleged efforts to induce others not to license (and thereby to induce them to infringe) *valid* patent claims, that does not save them from preemption under this Court's precedents. The state-law torts, for example, would authorize punitive damages, which are prohibited in the "careful balance" of the federal patent scheme. Pet. at 26 n.20. As explained in the Petition, "in defining the scope of liability for . . . inducement to infringe under 35 U.S.C. § 271, Congress has defined the risk an alleged infringer will bear for challenging patents believed to be invalid." Pet. at 25. Authorizing greater recovery under the state-law torts for conduct already prohibited under the federal patent laws would clearly upset that balance.

3. Finally, Rodime relies on analogies to cases enforcing patent licenses (contractual relations between private parties) to justify the intrusion of state law into this area. Opp.

at 21-22. Rodime provides a litany of citations for the undisputed proposition that a patent licensee, once a patent is determined to be invalid, is not legally entitled to disgorgement of licensee royalties paid prior to the validity challenge. Opp. at 22 n.10. From that unexceptional rule of law, Rodime concludes that it should be entitled to recover damages from Seagate for its alleged interference with Rodime's licensing of patent claims adjudicated to be invalid. Opp. at 21-22.

That conclusion is a *non sequitur*. The rule prohibiting licensee recovery of pre-validity challenge royalties is premised upon the understanding that it would be unfair for a licensee, having benefited economically during the period of the patent license prior to the patent's declared invalidity, to be reimbursed funds it paid for that benefit.[4] That rationale provides *no* justification for recovering damages against Seagate for allegedly interfering with prospective licenses of invalid patents in this case. The Federal Circuit's holding to the contrary contravenes the federal patent policy encouraging challenges to invalid patents. The rule Rodime advances and that the Federal Circuit embraced — would both shield a licensor from federally protected third party efforts to discourage others from licensing patent claims believed to be invalid *and* grant it a right to recover damages for such conduct even *after* those patent claims have been declared invalid. Neither result is consistent with this Court's precedents or the policies underlying federal patent law.

CONCLUSION

In light of the foregoing, and the arguments made in the Petition for Certiorari, Seagate respectfully requests that the Petition be granted.

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[4] *See, e.g., Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1260 (6th Cir. 1972).

Respectfully submitted,

JOHN F. DAUM
Counsel of Record
RODERICK G. DORMAN
CRYSTAL NIX
JONATHAN D. HACKER
O'MELVENY & MYERS LLP
400 South Hope Street
15th Floor
Los Angeles, CA 90071
(213) 430-6000

KARL A. LIMBACH
GERALD T. SEKIMURA
STEPHEN M. EVERETT
MARIA S. CEFALU
LIMBACH & LIMBACH, L.L.P.
2001 Ferry Building
San Francisco, CA 94111
(415) 433-4150

Attorneys for Petitioner

Date: January 3, 1999